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# CREDIT

## and FINANCIAL MANAGEMENT



Vol. 33  
No. 4

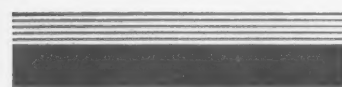
■ APRIL, 1931 ■

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# **SUNSHINE...** **for a Rainy Day**

**T**HERE are some two million families in our country with yearly incomes of \$5,000 and more. Few among even these fortunate families are able to go through life without "rainy days" when extra money is essential.

What of the other twenty-four and a half million families with smaller incomes? It is harder for them to put enough aside for rainy days when money is needed desperately.

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**MONEY MANAGEMENT FOR HOUSEHOLDS**, a helpful booklet on budgeting family income, leading to the happiness of financial security, is offered without charge to all. Telephone, call, or write for a copy.

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## **Thawing Out Frozen Credits . . .**

Sunshine on rainy days, for the more than 80% of the country's population that cannot borrow from banks, thaws out frozen credits for merchant, wholesaler, manufacturer, professional man, and banker. The above advertisement proves the importance of small loan financing and speeds collections by pointing out the only means available to the majority of families for obtaining supple-

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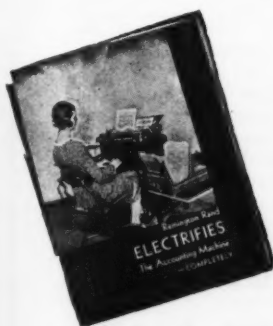
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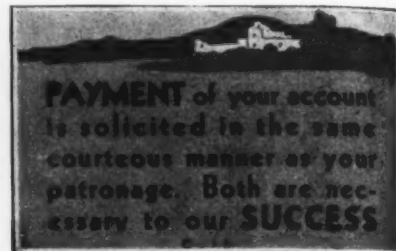
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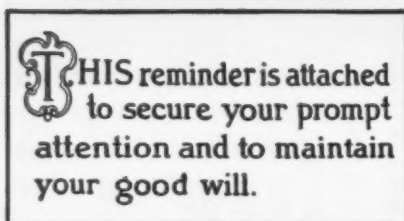
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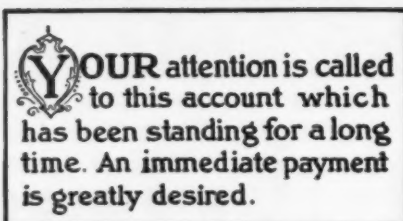
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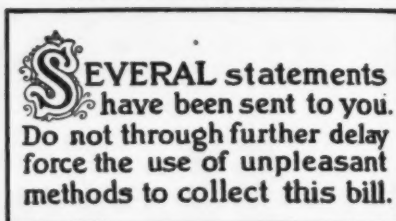
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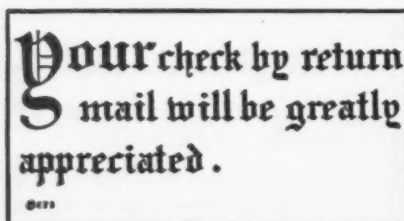
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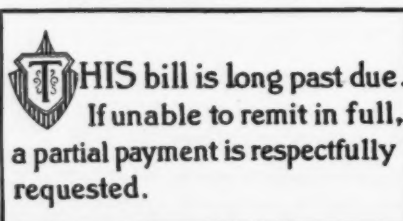
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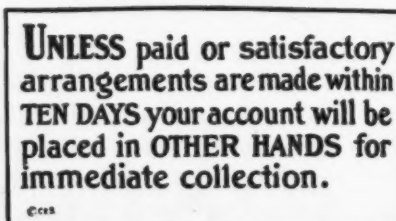
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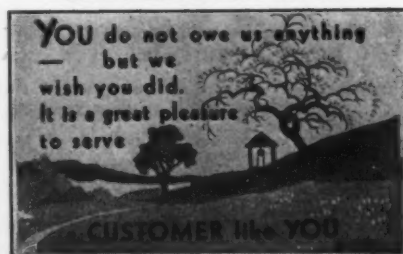
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3000	12	1.30	15.60	1.50	18.00
5000	20	1.20	24.00	1.40	28.00
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# CREDIT

## and FINANCIAL MANAGEMENT

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#### Looking Ahead

In May, Dr. David Friday analyzes the current economic situation and outlines the Forces Which Will Restore Prosperity.

In an interview by Chester H. McCall, Sir Ronald Lindsay, British Ambassador, gives his views on many questions of interest to American business men, among them high tariff and international economic co-operation.

Merryle Stanley Rukeyser, well-known financial writer, discusses dividends as business stabilizers and takes his examples from the policies of leading companies.

There will be a sequel to the April article on Gold which will deal specifically with the relationship of gold to credit.

The Gold Star Credit Department article will be contributed by E. B. Odenkirk of the Medusa Portland Cement Company, Cleveland, Ohio.

Protection of Records is the subject of the fourth article in the series on Executive Office Management by H. P. Preston.

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#### CHESTER H. McCALL, Editor and Business Manager

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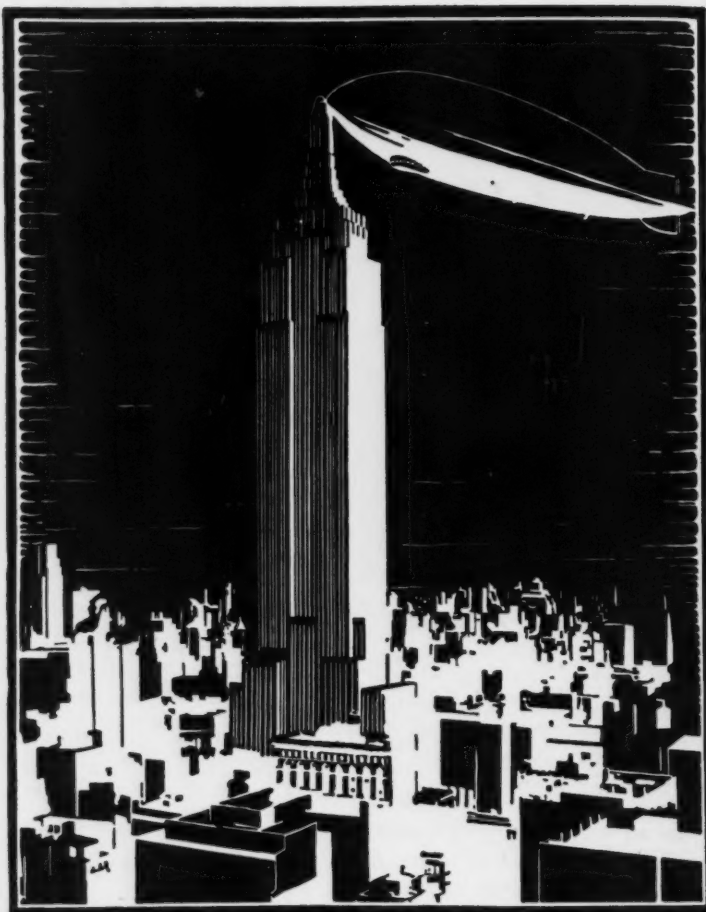
CREDIT  
and  
FINANCIAL  
MANAGEMENT  
April, 1931

Owned and published on the 5th of every month by the National Association of Credit Men, One Park Ave., N. Y., President, William Fraser, J. P. Stevens Co., New York; Secretary and Treasurer, Stephen I. Miller, One Park Ave., N. Y. Subscription price \$3.00 a year, 25 cents a copy. Canada, \$3.50. All other countries, \$4.00 postpaid. Entered as second-class matter April 5, 1927, at the Post Office at New York, N. Y., U. S. A., under the Act of March 3, 1879. Copyright, 1931, National Association of Credit Men. The N.A.C.M. is responsible only for official Association statements and announcements printed herein. Credit and Financial Management is indexed in the Industrial Arts Index of the H. W. Wilson Co. and is a member of the Audit Bureau of Circulations.

Vol.  
XXXIII  
No. 4



# STRENGTH IS SAFETY!



**T**HE Empire State Building—the world's tallest building—is a tribute to modern scientific construction. Strength is the main factor in this masterpiece. Its total height is about one thousand two hundred and fifty feet. The ground floor covers approximately forty-nine thousand square feet.

"The Home of New York" has attained an unsurpassed height through the consistent building up of a reserve capable of withstanding the strain of constantly occurring losses and the occasional heavy burden of conflagration. The financial strength of an insurance company is also its main factor of safety.

The Home Insurance Company of New York carries a substantial amount of the insurance on this massive building of concrete and steel.

Cash Capital	\$24,000,000.00
Net Surplus	\$37,491,905.53
<small>(Accumulated over 78 Years)</small>	
Surplus to Policyholders	\$61,491,905.53
Additional Funds	\$40,721,992.00
<small>(Pro rata Unearned Premiums)</small>	
Reserved	
<small>for Miscellaneous Accounts, Taxes, Dividends and Other Obligations</small>	
	\$14,682,227.71
Assets	
<small>Cash on hand, funds conservatively invested on current balances payable when due</small>	
	\$116,896,125.24

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# the dish ran away with the spoon



*"Hey, diddle, diddle  
The cat and the fiddle,  
The cow jumped over the moon.  
The little dog laughed  
To see such sport  
And the dish ran away with the spoon."*



**T**HE absurdities of this pleasant little nursery rhyme that all of us have heard for so many years find their counterpart in a prevalent business practice and attitude of mind. For a nursery rhyme, the pleasant inconsistency of "the dish ran away with the spoon" may have an appeal to the child mind, but there is certainly no appeal in such unpleasant absurdities as the sales department running away with the credit department and of the president and sales manager overriding the judgment of the credit manager.

Consider our one billion dollar credit waste last year, consider the fact that only 8.36 cents have been returned to creditors from each dollar involved in bankruptcy proceedings, consider any one of a half dozen other facts that can be cited in proof of this country's credit waste and inefficiency, and you have the facts necessary to serve two indictments on two executive officials in American business.

Any president or chief executive of a company, who does not have the vision to see in his credit department one of the most essential and constructive factors in his organization, should be indicted for negligence of duty. Much of the savings realized through production and distribution efficiency are dissipated at the collecting end because of an inefficient or unsound credit administration.

How often you will find the sales department that to all appearances is working for the customers instead of for its own company! The sales manager will go bellyaching to the president and complain that the conservative judgment of the credit man is keeping down sales volume. The president, with an executive flourish and gesture, overrides the credit manager's judgment and, presto, sales volume goes up, but what such sales will show "when the roll is called up yonder" in the heaven of net profits, no one knows.

The credit manager should be indicted along with the president of his company, because if he hasn't

enough backbone and vision to stride right in to the inner sanctum and lay his story before the president, he should be relegated to the bread line. I know of one case where a credit manager, passing on two million dollars of credit each year, did not have the authority to pass on a \$125 expenditure for valuable credit information. A parallel case of two companies in the same line of industry will also illustrate this point. In the first company, the president and sales manager were in the habit of overriding the decisions of the credit manager. The annual bad debt loss of this company was \$50,000. In the second case, the credit manager's word was final and no matter what kind of an argument the sales manager presented to the president, the credit manager's decision would stand,—and the bad debt losses of this company were only \$1,000. In this second case, the credit department is a constructive business builder, merchandising ideas originate in this department, the economic information upon which the executives of this company base their business decisions is gathered and disseminated by this credit department and yet bad debt losses in one company are fifty times greater than in the other.

There is no greater challenge and opportunity than that of reducing our bad debt loss, than in the promulgation of the credit department as a merchandising aid department and as a business builder, than in the opportunities the credit department has to function in giving business service aid to delinquent and inefficient debtors. The chief executives of companies must see this opportunity. Credit executives themselves must see it. And then both the president and credit executive must do something about it. If they do not, they should be indicted for flagrant violation of duty and responsibility, for American business today cannot afford to tolerate such absurdities as "the dish running away with the spoon".



*Chester H. McCall*



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Here is an organization that in equipment and personnel, is geared up to your demands for speed, accuracy and dependability...at the end of a line *that begins at your desk.*

And outside of the Postal Telegraph organization itself is the great International System of which Postal Telegraph is a very definite part, reaching the entire world through the perfect coordination of telegraph, cable and radio...at the end of a wire *that begins at your desk.*

And so, *use* Postal Telegraph. It's fast. It's dependable. It's the only American telegraph company that offers a world-wide service of coordinated record communications.

### THE INTERNATIONAL SYSTEM

## Postal Telegraph

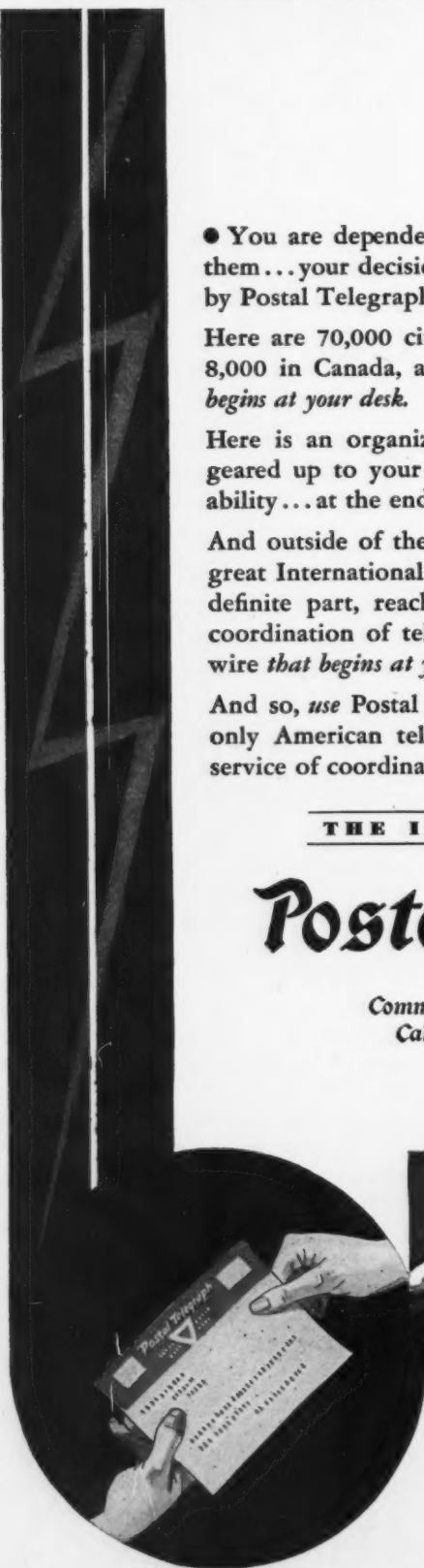
Commercial  
Cables



All America  
Cables

Mackay Radio

● Postal Telegraph is the only American telegraph company that offers a world-wide service of coordinated record communications. Through the great International System of which Postal Telegraph is a part, it reaches Europe, Asia, The Orient over Commercial Cables—South America, Central America and the West Indies over All America Cables—and ships at sea via Mackay Radio.



A Postal Telegram  
always provides a  
record for future  
reference.



# "Rock"

by DAVID A. WEIR

Formerly Head of Department of Finance at Notre Dame, where he was a close friend of Knute Rockne. While at Notre Dame, Mr. Weir was Secretary-Manager of the South Bend Association of Credit Men. He is now a member of the staff of the National Association of Credit Men, in charge of its Educational and Business Service Activities and Developments.

**W**RITE Rockne" was the memorandum on my desk on the afternoon of March thirty-first; for, in what was destined to be our last conversation, Knute had promised that he would speak at the Boston convention in June if his health permitted. It is hard even now to realize that that letter will never be written.

It is not easy to write dispassionately or even temperately of so versatile and lovable a man. I confess freely that I could not do so if I would; for my respect for what he accomplished is too thoroughly permeated with an abiding affection for the man himself.

It is easy to draw lessons from his life; but the writer who attempts to moralize too openly when writing of Knute Rockne is untrue to the whole nature of the man. In spite of his great work as a builder of rugged character, he disliked being known as a "character builder."

I asked him once what the outlook was for the team that Fall. He replied: "Not so good. It looks as though I'll have to build character this year."

And yet, I know how deeply he felt the responsibility of helping to mold the

characters of "his boys." The thing which was repugnant to the great coach was any attempt to excuse the inability to produce winning teams by turning to "character building" as an excuse for incompetence. He was not a "professional character builder"—but, in some way or other, those who came into contact with him were inspired to build character for themselves.

Rock didn't care much for "good losers." He liked losers who wouldn't "alibi", and who took defeat like men; but he didn't care much for the boy who was as happy after losing a game as after winning one.

I once heard him say, in reply to an executive who was bemoaning the fact that too much glory was given to the winning team—"if you really believed

the philosophy you preach you would go home and trade places with your janitor."

Rock liked those who would give their best to win, not because he over-emphasized the importance of a football victory, but because he believed whole-heartedly in his work. Life is stern competition; his job was to help young men fit themselves to meet it. "Play cleanly but play hard—and play to win" was his philosophy for the grid-iron and for life.

With all his love for winning, Rock was generous to opponents and to his own losing team if the game had been clean and hard.

A few years ago his team was beaten decisively in one of those "upset"

(Continued on page 37)



"Mourning Victory". . . . Metropolitan Museum of Art

# billions to



■ though the Bureau of the Budget estimates in detail the expenditure of \$8,100,000,000 each year, Coordinating Service is developed to the extent of detail standardization of specifications for nuts, bolts, and screws

an interview by CHESTER H. McCALL with Colonel J. CLAWSON ROOP,  
Director, Bureau of the Budget

## WHERE THE GOVERNMENT'S DOLLAR COMES FROM, WHERE IT ULTIMATELY GOES, and WHO SPENDS IT (Budget Estimates for Fiscal Year Ended June 30, 1932)

### WHERE IT COMES FROM

Source	Amount (cents)
Income Tax . . . . .	57.13
Miscellaneous Internal Revenue . . . . .	17.09
Customs Revenue . . . . .	15.47
Interest, Premium and Discount . . . . .	4.96
Fees, Fines, Penalties and Forfeitures . . . . .	0.74
Repayments of Investments . . . . .	1.89
Other Miscellaneous Receipts . . . . .	2.72

### WHERE IT GOES

General Functions . . . . .	6.19
National Defense . . . . .	17.53
Military Pensions, Life Insurance, etc. . . . .	23.58
Public Improvements . . . . .	6.69
Promotion, etc., of Marine Transportation . . . . .	2.35
Other Civil Functions . . . . .	15.44
Refunds . . . . .	1.54
Publ. Debt. Retirement from Ordinary Receipts . . . . .	11.91
Interest on Public Debt . . . . .	14.77

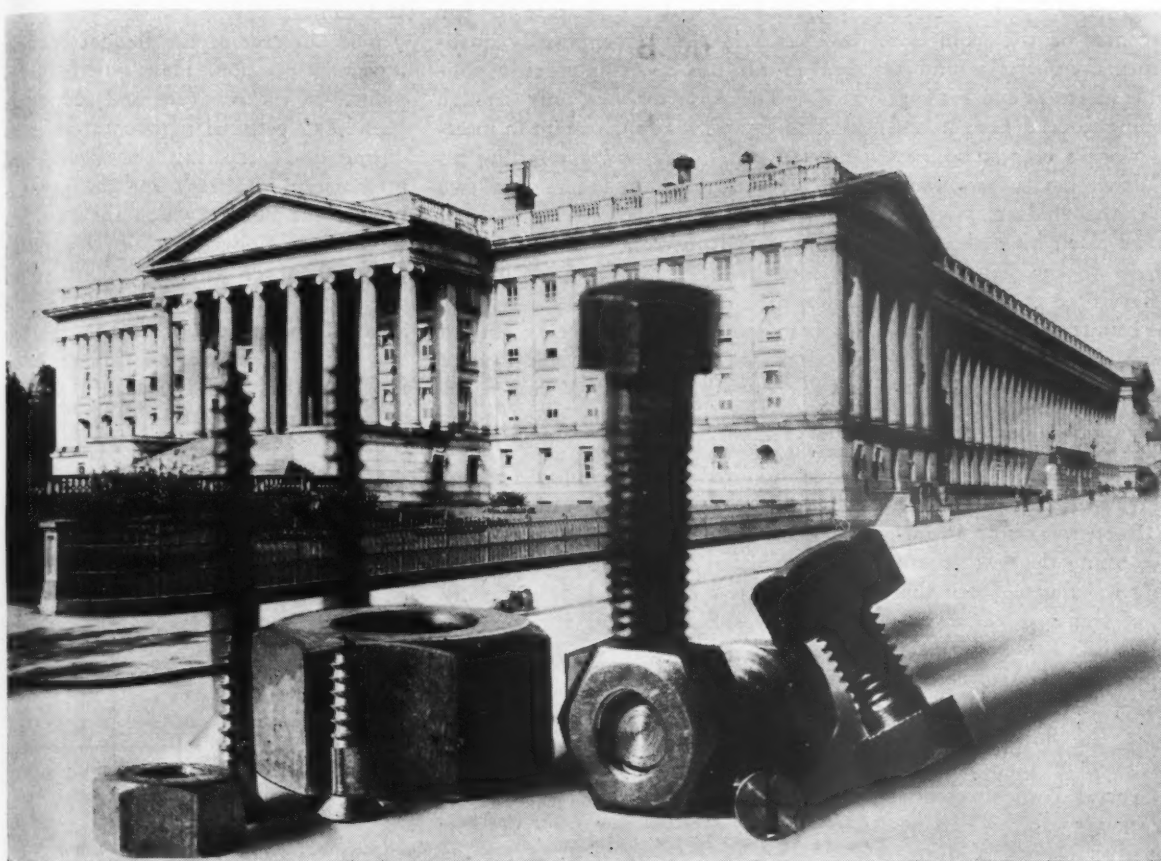
### WHO SPENDS IT

Legislative Establishment . . . . .	0.73
Executive Office . . . . .	0.01
Veterans' Administration . . . . .	22.19
Federal Farm Board, including Loans . . . . .	1.96
Other Independent Establishments . . . . .	3.49
Department of Agriculture . . . . .	5.84
Department of Commerce . . . . .	1.40
Interior Department . . . . .	1.96
Department of Justice, including Judicial . . . . .	1.31
Department of Labor . . . . .	0.34
Navy Department . . . . .	9.56
Deficiency in Postal Revenues, etc. . . . .	2.91
State Department . . . . .	0.43
Treasury Department Proper . . . . .	9.10
Public Debt Retirement . . . . .	11.94
Interest on Public Debt . . . . .	14.80
War Department, including Panama Canal . . . . .	11.79
District of Columbia, Federal Payment . . . . .	0.24





# s to bolts



**G**ET out your pencil and do a little figuring. Or maybe you are one of those individuals who likes figures but doesn't like figuring. Figuring out a budget is one of the most trying and most difficult tasks in financial management, but there is scarcely any administrative element of financial management that is more important.

Budgetary control within the past three or four years has developed into one of the most basic necessities of business administration. Sometimes it is almost as difficult to balance a budget as it is for an inexperienced man to perform as a tight-rope walker. The importance of the science of budgetary control is so significant that it is of the greatest value for every man responsible for the financial management of his concern to study the budgetary operations of the United States Government, the most prodigious budget job in the entire country.

The total budgetary operations of the United States Government amount to over \$8,100,000,000 each year. The

major scope and minor details of this work are so vast as to appear overwhelming to the average man, yet a Congressional act specifically states upon what date the budget estimates for each fiscal year must be presented to Congress. These estimates must reach Congress on that specific date—and not a day later. The extent and intricacy of the financial and business problems of the budget are alone very imposing, but when you add to these the innumerable statutory requirements and rigid regulations, you have a task of the first magnitude.

How does Uncle Sam go about preparing his budget? How does he coordinate the thousand or more departments, commissions, bureaus and agencies that must be carefully analyzed before each fiscal budget is finally completed and passed upon by the President and Congress? What kind of organization has Uncle Sam set up to handle this budget? How does it function? What are the many other related activities be-

sides what is strictly budgetary procedure and how are these activities coordinated for the benefit of the country? The answers to these questions are given in this article and definite recommendations are made pointing out what the executive can learn from this procedure that will be of indefinable value to him in his own work.

Suppose for a moment that you are waiting with me just outside the door that leads into the private office of the Director of Uncle Sam's budget. The Director of the Budget has just two minutes before a committee will meet with him in his office to discuss preliminary estimates for one of the departments—and I have only that much time to introduce you. His secretary appears from within his office and says, "He will see you now." We enter a large, spacious office on the second floor of the United States Treasury building. At the far end of the office we see the Director of the Budget, waiting for us with his genial smile. Through the window at



right we look out upon Pennsylvania Avenue, and through the windows at left we get a striking view through the massive, impressive columns in front of the Treasury building—and through them Pennsylvania Avenue extending along to where it passes in front of the White House grounds, just a block away. In the center of the room is a large table, with many chairs around it. Around this table meetings and hearings are held pertaining to the budget and finances of the world's biggest business corporation. Colonel J. Clawson Roop, the Director of the Budget, rises to shake hands as we reach his desk.

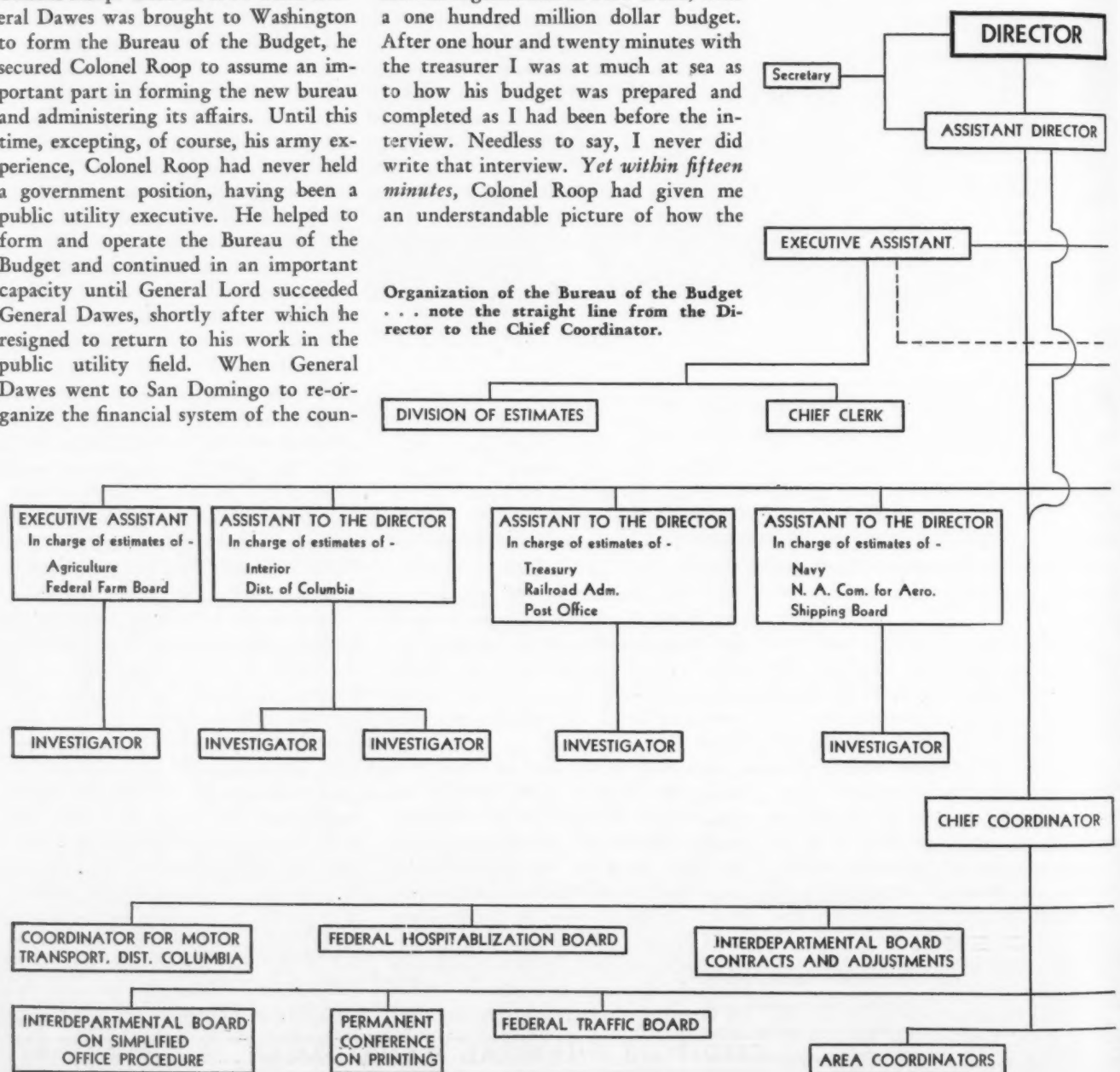
After you have shaken hands with the Director I have time to say, "There is no man in the country better prepared by experience and ability to handle the gigantic task of directing and co-ordinating the country's budget than Colonel Roop. Back in 1921 when General Dawes was brought to Washington to form the Bureau of the Budget, he secured Colonel Roop to assume an important part in forming the new bureau and administering its affairs. Until this time, excepting, of course, his army experience, Colonel Roop had never held a government position, having been a public utility executive. He helped to form and operate the Bureau of the Budget and continued in an important capacity until General Lord succeeded General Dawes, shortly after which he resigned to return to his work in the public utility field. When General Dawes went to San Domingo to re-organize the financial system of the coun-

try he again called upon Colonel Roop to go with him. After the Dominican financial system was placed on a sound operating basis Colonel Roop went back to his work, but upon General Lord's resignation, was called by President Hoover to become Director of the Budget. I know it is a pleasure for you to meet a man so pre-eminently qualified to fill this most important position." The Director has only enough time to express his appreciation in meeting you and to say how interesting his difficult job really is before our two minutes are up.

I have had but few interviewing experiences as satisfactory and fascinating as was my interview with Colonel Roop. I was indeed fortunate in seeing him on an afternoon when he was able to give me an hour of his time. A year ago I interviewed the treasurer of a large commercial organization in New York, with a one hundred million dollar budget. After one hour and twenty minutes with the treasurer I was at much at sea as to how his budget was prepared and completed as I had been before the interview. Needless to say, I never did write that interview. *Yet within fifteen minutes*, Colonel Roop had given me an understandable picture of how the

budget of our country's four billion dollars of expenditures is arrived at, the channels of budgetary procedure and the significance of each stage in this procedure. Clarity of presentation is always an evidence of clear, straight thinking—and Colonel Roop excels in this ability.

The Director of the Budget occupies a peculiar position. He is a personal appointee of the President and acts as the President's personal representative in securing and preparing the figures and information necessary for the preparation of the Budget which the President submits to Congress. For this reason Congress in creating the position did not require the confirmation by the Senate of appointment to this position and for the same reason Colonel Roop explained that he was not in a position to discuss other matters than those re-



lating to the methods and procedure of the Bureau of the Budget.

Colonel Roop first explained to me the general budget procedure, without going into very specific detail.

"In giving this explanation," he said, "it must be realized that the Budget organization and procedure are still developing and we have in fact instituted a change in procedure during the past year in connection with the Budget for 1932. The former procedure may be illustrated by the handling of the 1931 Budget, which involved first a call upon the departments and establishments for the submission of preliminary estimates of appropriations, which were totaled and compared with estimated receipts. These figures were discussed with the President, who set limitations within which the final estimates of the departments and establishments must be con-

finied in order to keep expenditures within receipts, and the departments were notified of these limitations but given the opportunity to present supplemental estimates in such instances as they felt the limitations were inadequate to properly perform their functions. The regular estimates and supplemental estimates were then considered by the Bureau of the Budget and the departments given the opportunity to explain and justify the needs for the appropriations which they requested. The estimates were then again presented to the President for his final approval before being printed in the Budget for submission to Congress by the President.

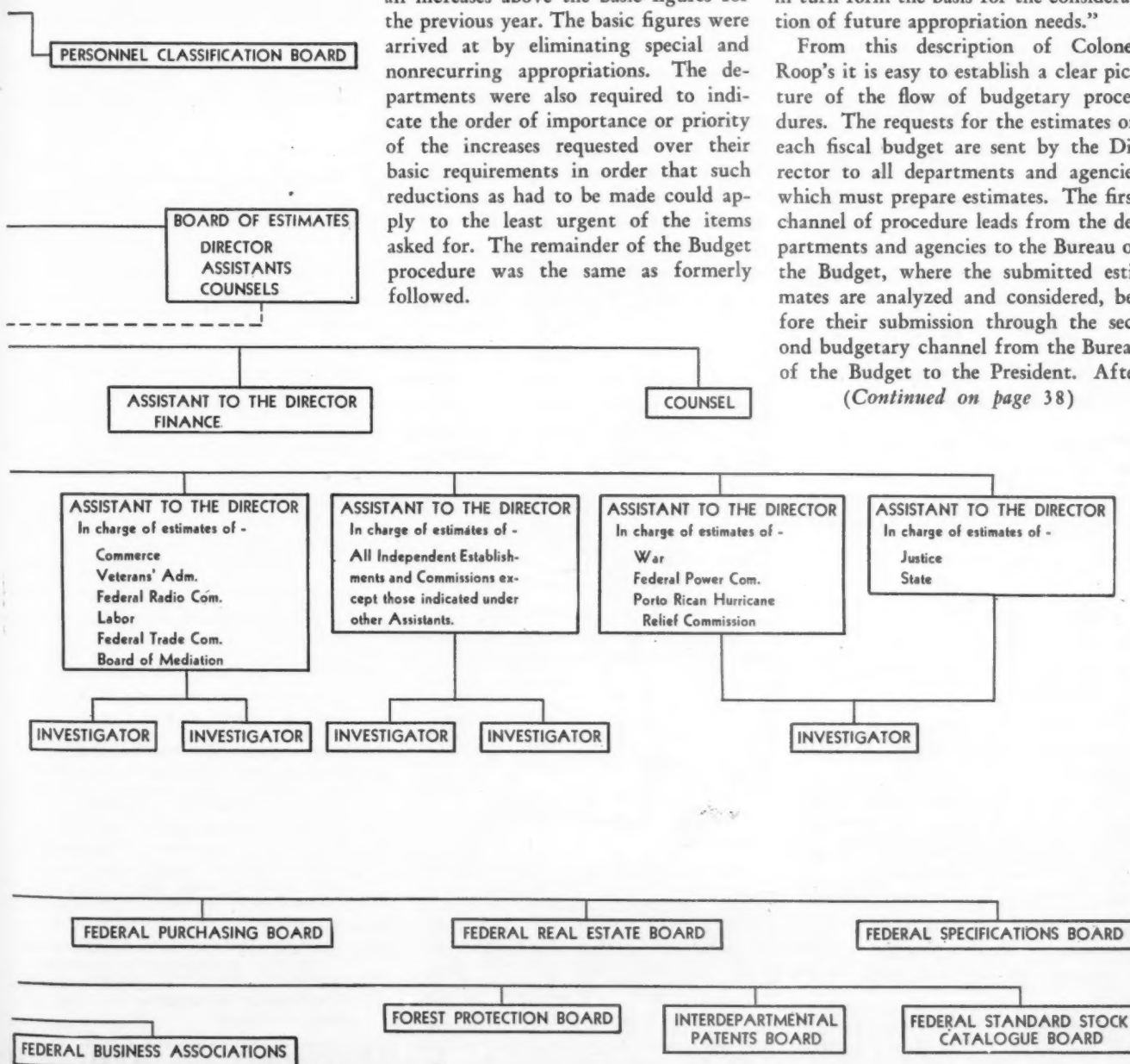
"Under the new procedure as followed in the preparation of the 1932 Budget, preliminary estimates are not required but the departments were called upon to submit not later than July 15, 1930, their regular estimates showing all increases above the basic figures for the previous year. The basic figures were arrived at by eliminating special and nonrecurring appropriations. The departments were also required to indicate the order of importance or priority of the increases requested over their basic requirements in order that such reductions as had to be made could apply to the least urgent of the items asked for. The remainder of the Budget procedure was the same as formerly followed.

"When the Budget has been transmitted to Congress by the President at the opening of the session in December it is then considered by the Legislative branch of the Government. Congress enacts a series of appropriation acts, each covering one or more of the departments and establishments of the Government, increasing or decreasing the amounts recommended in the Budget as they may see fit. They also consider and act upon various supplemental and deficiency estimates which the President transmits covering contingencies which have arisen since the last session of Congress or which may arise after the transmission of the Budget.

"These appropriation acts after passage by Congress are sent to the President for approval and when approved by him form the basis upon which all Government activities must be regulated, and the Government operations in turn form the basis for the consideration of future appropriation needs."

From this description of Colonel Roop's it is easy to establish a clear picture of the flow of budgetary procedures. The requests for the estimates on each fiscal budget are sent by the Director to all departments and agencies which must prepare estimates. The first channel of procedure leads from the departments and agencies to the Bureau of the Budget, where the submitted estimates are analyzed and considered, before their submission through the second budgetary channel from the Bureau of the Budget to the President. After

(Continued on page 38)



# as meaningless



## handshaking!

how sincere is yours?  
how sincere are those  
that you receive?

"an important part  
of social intercourse  
through the centuries" ..

exposed!

by

THOS. J. McNAMARA  
Standard Accident  
Insurance Company

**F**ROM the early Stone Age, possibly 80,000 B.C., down through the thundering centuries to our present day, man has persisted in doing five things:

1. He has loved
2. He has hated
3. He has slept
4. He has eaten
5. He has done a bit of HAND-SHAKING.

The results of 1 and 2 are recorded in history as bloody wars and glamorous romances.

The results of 3 and 4 are pretentiously covered in pages of famine, pestilence, phenomenal harvests and possibly royal boudoir assassinations.

But number 5, in a manner of speaking, has been slighted and needs a champion. With this thought in mind, we put on our hat and went to the library.

The librarian gave us a quizzical look when we asked for reference material on "hand-shaking." It was easy to see

that the question had her cornered for a minute, but only for a minute. That, however, was enough to make us believe that the fine old custom of hand-shaking had been snubbed by our most prolific historians.

After thumbing through many catalogues, during which procedure she found time to cast questioning glances our way, her face brightened and she walked triumphantly to a shelf of important-looking encyclopedias.

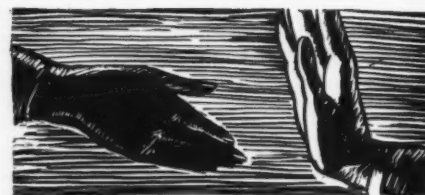
By this time, we were convinced that hand-shaking as a historical subject had tripped all too lightly through the long corridor of Time. But our determination to find material on the history of hand-shaking had been made adamant by three separate callers that morning.

Each one had persisted in offering three different kinds of hands, both when they introduced themselves and when they finally left. Perhaps we were not convincing enough about being busy when these hands were offered, but we have learned our lesson and, furthermore, decided to put hand-shaking in its proper place by looking up the ancestry of this custom and ruthlessly exposing it.

As a start, we sat down to a little feast prepared by James Hastings in his Encyclopedia on Religious Rights and Ethics.

Reading from the notes we took at the time:

This is a general mode of salutation . . . expression of sympathy by means of contact. During the time of the Romans, Greeks, Hebrews (Old Testament), and, in fact, all the races of antiquity, hand-shaking was a common method of clinching a bargain, out of which came the expression, "striking a bargain." If there was no hand-shake, there was no bargain,



"seldom used between man and woman upon introduction because of its important part in the marriage ceremony"

or at least the contract was null.

Among the Goths, Hibernians and Highlanders, hand-shaking was made more effective by spitting into the palms of the hands before actual contact. Among these big fellows, it was a symbol of friendship. They also had the peculiar habit of moistening the balls of their thumbs and striking them against the thumbs of their friends.

In some of the Christian churches today, as well as in the Middle Centuries, hand-clasping was an important part of the marriage ceremony. It was a symbol of the pledge each participant made regarding their future union. The barbarians also used this in their marriage rites.

These facts represent the essentials of hand-shaking in Hastings' Encyclopedia. The librarian brought us another book. It was a four-hundred-page book on "The Customs of Mankind," by Lillian Eichler. There were two pages devoted to the origin of the hand-shake:

"In primitive life (Stone Age), the right hand was extended to show that no weapons were concealed. Then, as now, this hand was accepted as the 'warring hand'. Hence it came to bear the significance that the neighbor only tendered good-will towards the person he was meeting.

"In Egyptian hieroglyphics, the glove is the symbol of the hand. The hand in Egyptian was 'tut,' which meant also 'to give.' Shaking hands during those days represented all that was distinguished and ceremonious.

"The early Greeks extended the right hand as a symbol of fellowship to a stranger. And so the use of the hands extended came through the centuries as a part of social intercourse."

CREDIT and FINANCIAL MANAGEMENT . . . . . APRIL, 1931



# as "the"

If we can believe the vague whisperings of history about primitive man, hand-shaking in one form or another was employed just as soon as there were two people to consummate the act. Instinctively they were attracted to each other, and instinctively expressed this attraction with contact. Impulsively they realized that the arm and hand were the unhampered and free agents of the heart and mind. It was only natural that this agent should do the first bit of contacting. Witness the bashful lovers of years ago. . . . But that is another story.

We have also run back and forth through the history of the centuries and nowhere have we found where the hand-shake was employed promiscuously by salesmen, as it is today.

Julius Caesar was a salesman as well as a remarkable general. About 59 B.C. he decided to do a little campaigning in Gaul and forthwith went to the bankers of Rome and asked them to invest three, four or five million dollars in his idea.

There being no question about Caesar's ability to lead such a campaign, nor his credit rating, these bankers agreed to finance him. No important-looking documents were made out; no bonds were floated on the "street." Each member of the agreement shook hands with Caesar. He, in turn, agreed to give them a slice of the slave, lumber and ore profits accruing from the siege.

It took salesmanship to put the deal over and Caesar proved his salesmanship. The hand-shake was used only to take the place of a signed contract.

The hand-shake was—and still is, for that matter—an important part in the marriage ceremony. In this respect, it takes on the guise of a rite, symbolical of a close union. There may have been hand-shaking or hand-holding in private, but the important feature is that it was only recognized as official at the altar.

In the gay court days of Louis XIV of France, when men wore lace cuffs,



"primitive man must have been happily relieved at the sight of a neighbor coming at him with outstretched hand instead of with a stone hatchet"

the hand-shake was as superficial as those sartorial outfits which clung so tightly to men's backs. But even in those days there was a certain uniformity about it. Up in the air went the scented hands, and the fingers clutched ever so lightly . . . a little added pressure often meaning war or peace, intrigue or understanding between two nations.

And so we find that hand-shaking enjoyed an important role in the customs and ethics of all races.

Beginning with primitive man (who must have been happily relieved at the sight of a neighbor coming at him with outstretched hands, instead of with a stone hatchet), down to the ancient Romans, Greeks, Hebrews and Egyptians, and up to our present day, the hand-shake has been considered an important gesture in our social and business contacts.

And all the young, love-sick couples who have subsequently peopled the earth have learned its importance and its consequences. . . .

We must, therefore, take the hand-shake seriously and frown upon its abuse.

But, aside from this knowledge, tradition has imbedded within us a latent reverence for this custom and has succeeded in lighting the fires of resentment when we are forced to use the hand-shake insincerely.

Or maybe it is because of the many discouraging types of hand-shaking. One person will slip us a soft, dank hand which allows itself to be squeezed until we are conscious of something dripping.

Another, too anxious to show that he has learned his lesson about a hearty hand-shake meaning real "he-man" characteristics, will set his teeth and grab your hand with the apparent intention of jerking it out of the wrist socket. When your hand is finally

(Continued on page 40)



## an outline of sources by PAUL HAASE of the staff of

Credit and Financial Management

**T**HE users of pencils are numerous. So are their uses. Yet few of us give time to consider how they reach our desks, what they are made of, how they are made, who first thought of inserting a black lead between two pieces of wood glued together, so that writing could be accomplished without danger of breaking the long lead or soiling the fingers of the user.

So it is with the index number. The morning papers on your desk carry them—Professor Fisher's, Dun's, Bradstreet's, the Federal Reserve Board's, the Bureau of Labor Statistics', Person's—and daily use is made of them in ascertaining business trends of varied kinds. It is not an indictment when we admit that we base our opinions on them and yet know only a little as to their origin. Who establishes them? Just what are they? And, important as any other factor, why do they exist?

Like anything else that is a vital part in the process of making a decision on so important a matter as credit or finance, the index number should be used carefully, with a full recognition of its capabilities, its potentialities, and also its possible limitations. It is not a panacea; nor is it an "open sesame". Too much should not be expected from the index number.

We should not look on them as did the old negro, father of a dozen children, who had his youngest boy in high school and felt so proud of the lad that he would ask him what the teachers were talking about. One day the lad was working on a problem for a course in elementary economics that included some slight study of the index number. The problem itself concerned the use of the index numbers and the old man, noting the sheet filled

with figures, inquired as to its meaning.

The son explained as simply as possible the little elementary knowledge he had gained thus far. "Yuh see, pappy, if yuh takes de prices like dey use' to be and calls dem 100 and den yuh takes de prices as dey is dis evenin', yuh sees dat dey now is 140. Dat means yuh is payin' 1.40 for what use' to sell foh a dollah."

The old negro looked solemn and squinted at the numbers on the sheet. "Index numbehs, huh, and does dey all tell how much ah is gwine to git foh a pay rise so dat I kin buy dat dollah's wuth foh a dollah fohty?"

Similarly must we avoid misconceptions of the powers and uses of index numbers. They can help us greatly but they cannot be expected to tell us everything.

Let us start from the very beginning and ask: What is an index number? Webster's International Dictionary tells us that it is generally a percentage designed to indicate the general level of prices of various staples at any given date. It is formed from the ratios of the prices of various staples at the time in question as compared with some previous date, which has been adopted as a standard and for which the index has been fixed at 100.

That is a definition. Here is a more practical idea of the index numbers, giving us at the same time an elementary view into the way they arise.

We know that index numbers enable us to tell whether the general levels of prices at two different periods are higher or lower. Now it is rather obvious that if in 1930 each and every item is from ten cents to fifteen cents higher than in 1900 that we can say, prices are higher now than thirty years ago. But prices don't do such things. Rubber goes up, wheat is lower, oats increase twice as much as barley, which has seen a price advance of nine per cent. And so it goes. Looking over a dozen items, or thirty items, or all the items in general demand in commercial circles, we find it impossible to say definitely that prices are so and so per cent. higher today than some many years ago, or that costs of merchandise of various kinds have seen a general drop in price.

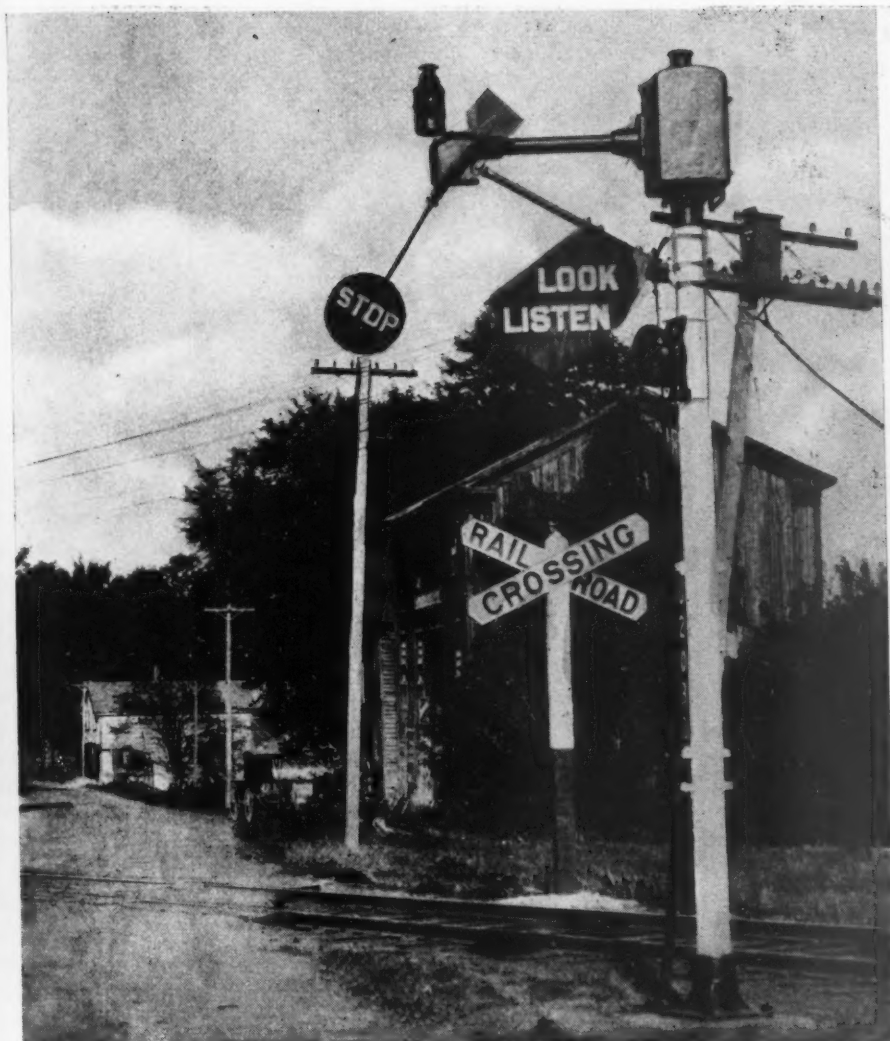
More concisely: If bread is ten cents now, sugar is nine cents, and tea is fifteen cents, who is there among us



# an index

index numbers  
indicate little  
unless their  
derivation is  
taken into  
consideration





like automatic warning signals: "on the alert for what is coming along the business highway before it appears" . . . the red light in commercial traffic

erage of the years being analyzed. For our purpose three commodities give us the working idea. A true example is Professor Fisher's index which is "based mainly on Dun's quotations", according to the appended note on the weekly analysis made by him. They are wholesale prices, since these vary less throughout the country and are thus better adapted for a fair indication of trends, and include somewhat over two hundred items of varying degrees of importance and demand.

Not long after the acceptance of the use of index numbers, there came objections. The indices were not altogether true. It is not fair, objectors claimed, to use a series of items, some of which are in far smaller demand than others, and ascribe equal importance to each of them in determining index numbers. An increase in the price of bread affects us more than an increase in the price of shoelaces.

Like every objection, it had to be met and it was quashed by a compromise both worthy and necessary. Instead of determining the index number from the price alone we "weight" the price by multiplying it by the number of each of the items under consideration that were sold. For example, let us assume that in 1930, 10,000 loaves of bread were sold at ten cents a loaf, while 1000 pairs of shoelaces were sold at ten cents a pair. Using the weighting process, we multiply 10,000 by 10 and 1,000 by 10 and obtain the figures used in the weighted table given below. Similarly, we multiply the price of bread in 1929 by the number of loaves sold, or 12,000, and the price of shoelaces in 1929 by the number sold, or 1,100, and obtain the weighted figures for 1929. These weighted figures are more truly indicative of the significant rise in the price levels.

Unweighted	1930	1929
Bread	.10	.08
Shoelaces	.10	.05
	.20	.13
Index numbers	155	100
Weighted	1930	1929
Bread	100,000	96,000
Shoelaces	10,000	5,500
	110,000	101,500
Index numbers	108	100

Now that we have learned the identity  
(Continued on page 40)

## to the index

able to say that the general level of prices is higher or lower now than a year ago when bread sold for eight cents, sugar for twelve cents, and tea at eighteen cents? That is not too easy. But with index numbers we can easily find out whether the general price level is higher or lower.

Let us take these three items of our assumed case:

	1930	1929
Bread	.10	.08
Sugar	.09	.12
Tea	.15	.18
Aggregate Prices	.34	.38

We wish to know if the general level this year is higher or lower so we ascribe to the year 1929 the power of the average year and rate it at 100 per cent.

Now we can find the percentage of increase or decrease by dividing the 1930 aggregate (.34) by the aggregate for 1929 (.38). Thus we learn that the percentage for 1930 is 89% and this, since it is lower than the 1929 figure of 100, easily indicates a general level of prices about eleven per cent. lower than in 1929.

Of course, for simplicity, we worked with only three items.

No market picture can be complete with only three of the thousands of items included. That is why professional workers in the field use a great number of items to determine the av-





as "the walrus said . . . 'shoes  
and ships and sealing wax'"



## New England and why

■ New England in which the next N.A.C.M. convention will be held, "possesses 217 of the 348 types of industry listed by the Department of Commerce" . . . "natural advantage" seems to have been, and to remain, the answer to the "why"

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## by the New England Council

**N**EW ENGLAND, the group of six states in the northeastern corner of the United States, which occupies two per cent. of the territory, and contains seven per cent. of the people of the country, possesses 217 of the 348 types of industry into which the Department of Commerce divides the manufactures of the nation. Not only textiles,—cotton, silk, and woolen,—for which it was so long famous—but quite literally “shoes, and ships and sealing wax” and a variety of other products are manufactured in these states, and constitute ten per cent. of the value of all manufactured goods in the United States.

The extent and the diversity of New England's industrial products are the result of many factors, one of which is time. New England is older industrially than any other part of the country. But that often repeated and undisputed fact is itself the result of causes which are still actively determining New England's industrial destiny.

New England saw the origins of manufacturing in America, because of the basic characteristics of the region; topography, climate, and location. The rugged landscape which was formed by the retreat of the Continental Glacier is characterized by many rapid-flowing streams, whose potentialities as sources of power, not yet completely developed, were recognized more than two hundred years ago.

Numerous harbors gave impetus to ship building—as well as the early development of a prosperous fishing industry—and thus assured contact with Europe, and with other settled sections of this side of the Atlantic. Navigable rivers provided the first means of transportation to the interior, important when western settlers began to provide a home market for goods. Forests were a valuable source of raw material. The New England climate, free from extreme heat, and therefore conducive to a high level of productive activity, is by reason of its variability and its cold winters, invigorating and healthful. Its effect on the character of the inhabitants has been to develop in them activity, self-reliance, and ingenuity—that “Yankee ingenuity” which has become proverbial.

Here, consequently, it was natural that the industrial revolution should have its beginnings on the American continent. For that economic trans-

formation, as well as for the political upheaval which took form in the Revolutionary War, New England was ready. The factory system was inaugurated in 1790 by the operation of the first successful cotton spinning mill on this side of the Atlantic—the Slater Mills at Pawtucket, R. I. A complete cotton mill was established twenty-four years later in Waltham, Mass. The first American silk mills were in Connecticut; the first worsted mills in New England, also. From these origins came New England's long leadership in the textile industries.

Iron mines in western New England, negligible today, caused the development of eighteenth century iron foundries, and later of those industries which use iron and steel as raw materials, although the manufacture of machinery can be better explained by the demands of other expanding industries. The manufacture of brass, and all the variety of articles made from brass, electro-plating, clock-manufacture, are a few of the industries which began in New England.

Industrial pioneering was not confined to articles to be made. The factories which owed their existence to the presence of water power in their turn stimulated important development in power engineering.

Mass production, which has contributed as much as any single factor to America's manufacturing leadership, was first introduced in New England factories. Standardization and interchangeability of parts were applied in early days in the shoe industries of Lynn, and the manufacture of clocks, firearms, sewing machines, and other products of New England origin.

Having been a pioneer, industrial New England today benefits from a longer experience than any competing section has enjoyed, an experience which has developed reserves of highly skilled labor and seasoned managerial ability. Rail and air transportation have supplemented the original waterways to maintain New England's accessibility. The power resources, now being utilized to generate electrical energy, are by no means yet developed to their fullest extent. And “Yankee ingenuity” still finds an outlet in the continual invention of new products to increase yet further the variety of New England manufactures.

Five of the 217 separate lines of manufacture—cotton goods, woolen goods, boots and shoes, electrical ma-

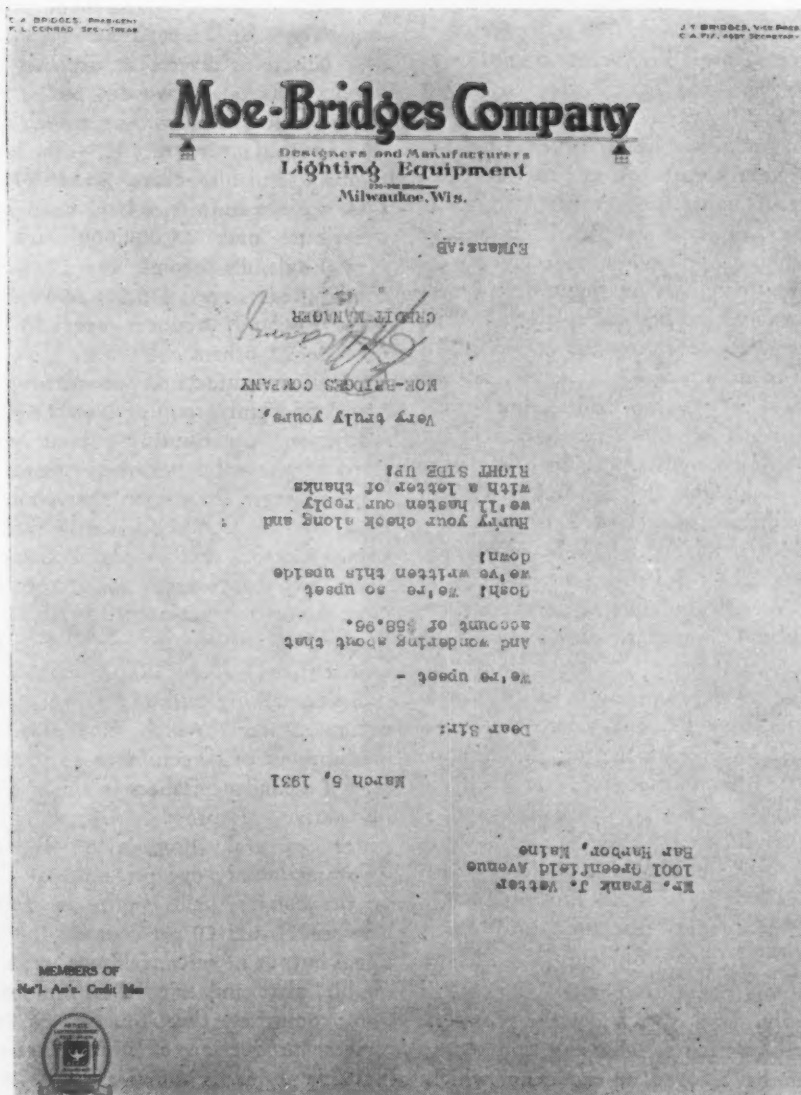
chinery, and foundry and machine shop products—account for 25 per cent. of the value of New England manufacturing. The other 75 per cent. is made up of products as diverse as airplanes and jewelry, clocks and wooden boxes, firearms and soap. According to the census of manufactures of 1927—the latest figures available—there were 84 of these various industries large enough to contribute over \$5,000,000 each to New England's income, and 52 which contributed over \$10,000,000 each. New England produces over 50 per cent. in 22 others.

Metal manufactures constitute the most important group of New England industries, contributing about one-third of the value added by manufacture—a larger share than that contributed by the combined textile industries. Cotton textiles and boots and shoes, two branches of manufacturing most commonly associated with New England in the popular mind, together represent only about 12 per cent.

Besides taking full advantage of the natural features which fit it for the production of manufactured goods, New England capitalizes in other ways its native resources. Although the entire mineral production of the six states is only one per cent. of that of the country, this figure represents between 25 and 50 per cent. of the national output of mica, feldspar, granite, marble, slate and talc. Stone production comprises three-fourths of the mineral production of New England. New Hampshire is known as the “Granite State”, but important granite quarries are found in the other five states also, Massachusetts having a granite output slightly greater than Vermont's. “The Green Mountain State” also contains the leading marble deposits of New England and the largest known talc reserves in the United States. Mineral manufacturing employing these native sources of supply, in 1927 contributed \$38,366,000 to the manufacturing income of New England.

New England's forest lands occupy two-thirds of its entire land surface, and provide much of the raw material  
(Continued on page 43)

# "this month's collection letter"



We present our eighth "This Month's Collection Letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering and which will later be presented to readers of CREDIT and FINANCIAL MANAGEMENT.

■ E. J. Manz, credit manager of Moe-Bridges Company, Milwaukee, is the contributor of the attention-arresting letter reproduced above. Mr. Manz believes that the main force of a collection letter lies in its ability to shock the reader into attention—hence the upside-down form. His explanatory remarks give a keen analysis of the value of novel collection letters:

"We have found that novel letters bring the best results in our line. Our product is lighting fixtures and lamps.

"The average independent electrical

contractor is a man who is out on the job most of the day and his bookkeeping is consequently taken care of during his leisure hours. Not in all instances, but in many, it is necessary to employ advertising tactics to catch the eye and retain the interest in the message we are attempting to bring to his attention—especially when a man has been hard at work all day.

"The attached copy of our 'Upside Down' letter has met with success, not

only in the matter of liquidating receivables, but also as a channel for building good will. It has brought the money and many humorous comments.

"Window envelopes are used in all our correspondence and make the upside-down position of the enclosure all the more unexpected and effective."

**CREDIT and FINANCIAL MANAGEMENT . . . . . APRIL, 1931**





# Taxumland

## a latter-day fable

by D. B. WILSON

ONCE upon a time there was a Kingdom by the Sea, called Taxumland. Now for many years, under a wise and beneficent ruler, Taxumland was exceedingly prosperous.

The farmers tilled their soil; the laborers worked at their benches; the capitalists employed skilled scientists to discover new and wondrous things and started great industries to manufacture them; and the government quietly and

economically attended to its affairs. So all were fairly content and if they did not have everything they wanted, they at least had far more than their fathers or their neighbors in other lands.

For the neighboring nations Bellicosland, Imperialand, and Soviland were not so prosperous. They started great wars which weighted them down with debt; they believed that the State should make its citizens prosperous and so they were led to spend great sums in buying their citizens' products and in paying wages to others who performed no labor. And this still further

weighed upon the resources of their Government, the more so since such actions prevented real correctives and made the situation grow continually worse.

And so it came to pass one ill starred day that everything seemed to go wrong at once. The people at Taxumland had temporarily overreached themselves and had to pause to catch up. And when they no longer needed such large quantities of raw materials from their neighbors, an already bad situation became much worse. And then even the Government of Taxumland became panic stricken and initiated such policies as had already had disastrous results in Imperialand and other countries. And its citizens seeing this and fearing other such actions, many of which were proposed, lost the little

(Continued on page 43)

# shekels o



first of two articles  
on the relationship of  
GOLD to CREDIT

**W**HAT, exactly, is the relationship of gold to credit? What determines the value of gold? Has gold been responsible for the rise and fall of civilizations, empires and countries, beginning with and since the fall of the Roman Empire? Is man a slave of gold instead of a slave of the new machine age? What has the supply of gold to do with the price level and how is this related to credit? Just how would a serious gold shortage affect credit? What happens when great emergencies, such as war catastrophies, render a country's monetary system independent of gold? Does the aggregate reservoir of purchasing power vary proportionately to the amount of gold? Should gold production be controlled?—These and dozens of other questions are being asked daily by business men throughout the world.

There is probably no one economic subject upon which so many authorities disagree as upon the gold question. We find well known economists arguing whether or not gold is valuable because of psychological reasons, or because its specific nature makes it admirably suited as a basis for a monetary standard. There seems to be no reason for disputing the axiomatic statement that the world's credit is based upon the

does gold control civilization or  
does civilization control gold? . .  
to what extent has an inert metal  
ruled the destiny of peoples of the  
past and how firm is its glittering  
grip on our own immediate future?



world's gold supply. We may accept this statement as a dictum but in doing this we unwittingly submerge ourselves in a sea of complications. As this study of gold and its relationship to credit is being prepared there are before the writer two authoritative treatises on the economics of our gold supply. One treatise states that the total amount of gold in the world is worth eleven billion dollars while the other treatise puts it in the neighborhood of thirteen billion dollars. If an intelligent appraisal of the world's credit is to be made on a basis of the world's gold supply, how are we going to reconcile this two billion dollar difference and reach a conclusion that we can feel is justifiably accurate?

In the early months of the 1929 depression many economists contended that the basic cause of the retrogression was a drying up in the sources of the United States' and the world's gold supply. Other economists flatly disputed this contention and gave other causes that seemed to carry as strong a substance of proof. During the war, steps were taken to render the monetary systems of opposing nations independent of gold. The result was that the currency and monetary standard was no longer upon a gold basis. This one fact has been used to both prove and disprove two opposing theories about the gold basis as a monetary standard and its effect upon depression and prosperity.

Is it any wonder that practical thinking business men get lost in this maze and labyrinth of the gold question? Is it any wonder that it is so difficult to pull out from the mass of gold question intricacies, any specific, concrete and

practical facts upon which the business man may hope to base intelligent conclusions?

A few facts must be accepted. These facts can be shorn of any parasitic theories. The monetary systems of the leading nations in the world are based upon the gold standard, so credit is definitely related to the world's gold supply. The present facility of international exchange is the result of a gold standard in the principal countries of the world and the provision of channels through which gold movements may flow.

Such basic facts as these may be accepted as the premise for an analysis of the relationship of gold to credit from a practical angle and not a theoretical viewpoint. This study is divided into two parts: the first part presenting a survey of the gold question, and the second part a translation of this survey into a practical answer of how gold affects and controls credit.

Since the time that men passed from the stage of barter to the stage of a common medium of exchange, we find the gold proposition obscured in a twilight of mystery that has persisted down to the present day of scientific thinking and evaluation. Scores of truths and facts about the purpose and function of gold are obscured too deeply in a haze of theories, personal opinions and political movements.

Gold was known and highly valued by our earliest civilizations, such as the Egyptian, Minoan, Assyrian and Etruscan. It is also quite probable that gold was the first metal to attract the attention of prehistoric man. It could not be used for ornamentation, however, until the art of melting had been invented in the bronze age. The earliest



# s or shackles?



the awakening of man so gloriously portrayed by the immortal Auguste Rodin, no more than the reflected kindling and waning glow of gold above ground at the moment?

gold mining work of which we have any trace, was in Egypt in 2900 B. C., for gold washing is depicted on the monuments of the fourth Egyptian dynasty of this period. The legend of the Golden Fleece with which most of us are familiar, is the story of an expedition which set out about 1200 B. C. to seize gold which was being washed from river sands by the people of what is now Armenia.

When gold first came into use it was strongly related to mysticism and magic. Men and women once wore necklaces, bracelets and other decorations, made from teeth and claws of animals, vertebrae of fish and animals, and of sea shells. These objects were chosen on a purely superstitious basis because it was believed they would exert a magical protecting and strengthening power. The teeth of animals were, for example, symbols of aggression and the owner thought that his wearing them would make him more aggressive. When gold was introduced it served, on account of its malleability, for making reproductions of teeth, claws and sea shells. Because of the attractiveness and brilliance of gold it was used as jewelry, a custom that has survived for sixty centuries. Here we find the first use of gold directly related to superstition and mysticism.

Much later along in the middle ages we find the alchemist searching for the elixir of life and also a means for transmuting baser metals and elements into gold. Thus, from the beginning, down to the present, we find the gold

(Continued on page 44)



# current survey of credit conditions

Laguna Trias of Cerro Tronador, Argentina.



**T**HE first quarter of 1931 showed comparatively little change in Credit and Collection Conditions in the twenty-one Latin American markets covered in the Survey. With a few exceptions, the countries have held the gains as indicated in the Survey at the close of 1930.

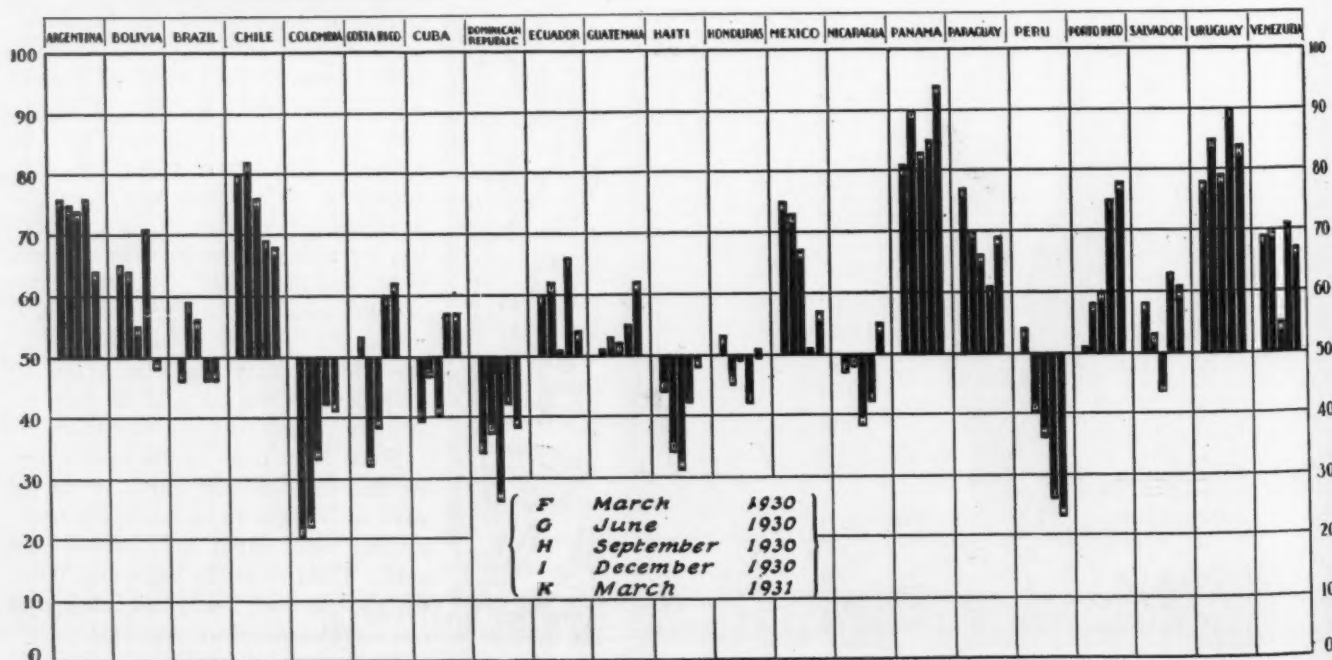
This Survey is the tenth Quarterly Survey of Credit and Collection Conditions in Latin America, compiled by the Foreign Department of the National Association of Credit Men, and indicates the position at the close of the first quarter of 1931. The current Survey covers conditions at the close of March, 1931 and this Survey, together with the graphical charts, carries forward the summaries published in February, April, July, October and January issues of "Credit Monthly." The results of the Quarterly Surveys are added to the charts and show a comparison with the four previous surveys running back to March, 1930.

As in previous cases, these Surveys are based on the experiences and opinions of members of the Foreign Credit Interchange Bureau of the National Association of Credit Men, comprising leading American exporters, representing all lines of industry.

The Survey of Credit Conditions has to do with the credit background of commercial transactions rather than the political or financial situation, and is based on the opinions and experiences of firms who are conducting business in the various countries covered. The reports on Collections do not take into consideration the question of whether export business is being done on extended terms as compared to cash or secured basis, but deals entirely with the payment of accounts on the date due in accordance with sales terms such as may have been agreed upon.

While three months ago the improvement and decline indicated in these index figures was evenly balanced with improvement showing in the same number of countries as showed a decline, in the current Survey but eight countries show improvement, as against declines in thirteen countries. However, these changes are but a few points in the index figures. Panama, Porto Rico and Colombia show the best gains in the credit index. Panama shows an upward turn after a continuous decline for a number of months. The conditions in Porto Rico evidently are continuing to improve, and the upward curve since last March continues. Colombia, al-

W. S. Swingle, Director of the Foreign Department and the Foreign Credit Interchange Bureau of the N. A. C. M., gives his current statistical interpretation of Latin-American credit conditions and collections . . . previous surveys appeared in April, July, October and January



# and collections in Latin America

though it still remains classified as Very Poor, nevertheless is on the upgrade. Bolivia, Ecuador and Dominican Republic show marked reductions in the credit index. Bolivia, after a slight improvement for three quarters now drops to a classification of Very Poor. In Ecuador, the gains made in the credit index at the end of last year have apparently been overcome and the decline which was noticeable for practically all of last year is again accentuated, to place this country now in the classification of Very Poor. Peru with exchange difficulties and other disturbances has lost ground, and conditions in Brazil still are such as to keep this country in a classification of Very Poor. No improvement has been shown in the index for Mexico after the sharp decline of the last half of 1930.

Exchange conditions continue to have a decided bearing on Collections in many countries. The current collection index is about evenly balanced, with ten countries showing an improvement, nine a decline, and two countries holding the same figures as previously. In general, the collection index has shown little change from the previous survey. Where gains were indicated at the close of last year, most of these have been

held. Gains have been more moderate than in previous surveys and in only two countries has the index figure increased by more than six points.

Collections from Nicaragua have been coming in more promptly. The declines in the collection index do not greatly change the picture of three months ago. Collections from Argentina evidently continue to slow down. The improvement noted in the previous survey in Ecuador has been wiped out, and in line with the movement of credit conditions this index shows a falling off. General indications are that collections continue to be carefully watched, and every effort made to continue the liquidation of numbers of slow accounts.

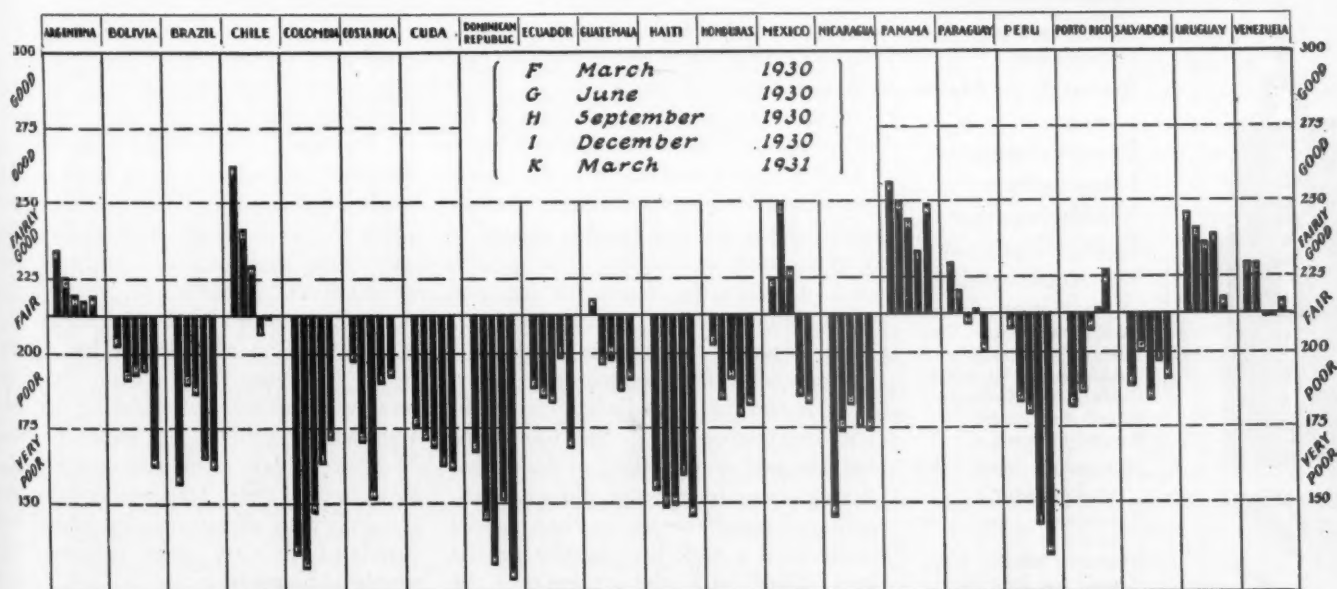
In the past quarter the most difficult exchange situations have occurred in Brazil and Peru, and the countries affected by silver exchange such as Mexico and Honduras. While there are some hopeful signs for improved conditions and some indications in various sections of consideration of new financing which will probably be necessary before permanent improvement can be expected, there still has been but little general improvement although the

(Continued on page 47)

Old Latin-American ruins symbolize by-gone glory



The chart at left shows graphically collection conditions in twenty-one Latin-American countries at five different periods, while the chart below gives the credit conditions in these same countries. The graphic and percentage bases for both charts are carefully described in this article.

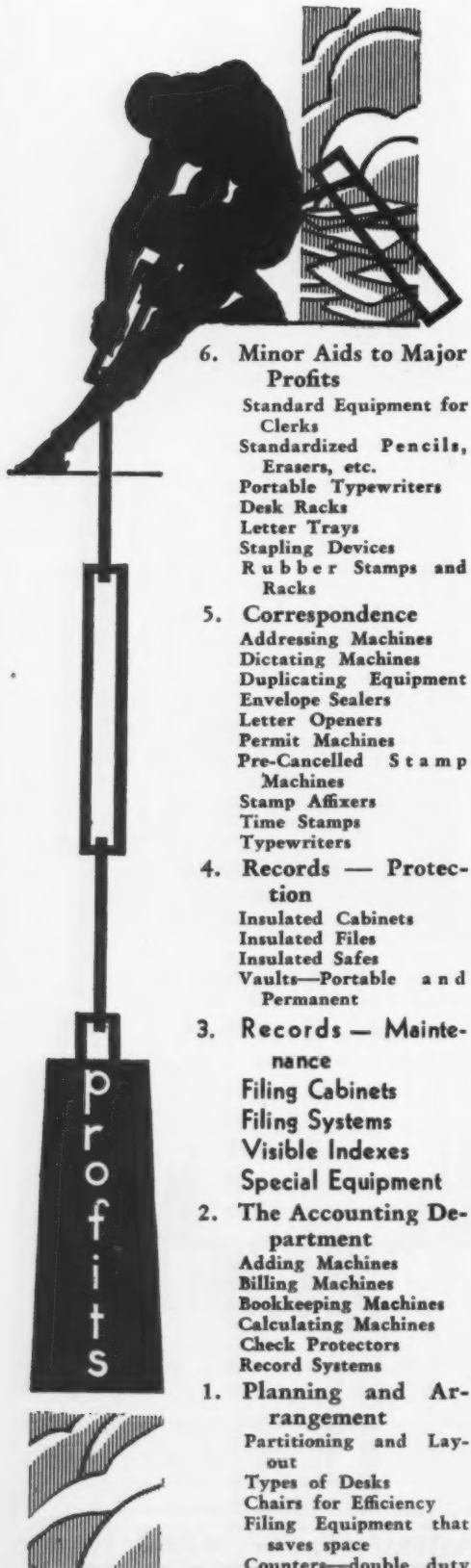




# filing away

■ 'filing away' takes effect, in a figurative fashion, on overhead costs when the systems adopted are adapted to individual needs

third of a series of six articles on executive office management and modernized administration . . . . . by H. P. PRESTON



## 6. Minor Aids to Major Profits

Standard Equipment for Clerks  
Standardized Pencils, Erasers, etc.  
Portable Typewriters  
Desk Racks  
Letter Trays  
Stapling Devices  
Rubber Stamps and Racks

## 5. Correspondence

Addressing Machines  
Dictating Machines  
Duplicating Equipment  
Envelope Sealers  
Letter Openers  
Permit Machines  
Pre-Cancelled Stamp Machines  
Stamp Affixers  
Time Stamps  
Typewriters

## 4. Records — Protection

Insulated Cabinets  
Insulated Files  
Insulated Safes  
Vaults—Portable and Permanent

## 3. Records — Maintenance

Filing Cabinets  
Filing Systems  
Visible Indexes  
Special Equipment

## 2. The Accounting Department

Adding Machines  
Billing Machines  
Bookkeeping Machines  
Calculating Machines  
Check Protectors  
Record Systems

## 1. Planning and Arrangement

Partitioning and Layout  
Types of Desks  
Chairs for Efficiency  
Filing Equipment that saves space  
Counters—double duty

**M**ANY a firm digging for extra profits might unearth substantial overhead savings by prospecting in their own files. There is often a considerable amount of money tied up in a filing method that has not been modernized to meet today's needs. Scientific filing control has paid, and is paying, good dividends to large and small organizations every day in the year. The "half way" outlook is probably the most costly general error made with respect to filing. Executive vision is sometimes nearsighted. It sees the storing—or "filing"—end of the problem. It cannot see the equally important aspect of finding.

Records are for reference. Correspondence, invoices, orders, specifications, proposals, all the varied records of active business—are not kept simply to be baled and made into briquettes for feeding furnaces. They are kept for future *reference*. And what profiteth it a business to have costly filing cabinets and beautifully marcelled file clerks if papers cannot be quickly located when wanted? The approach to the problem of filing is not through cabinets. It is through a co-ordinated, integrated system whereby the simplest method possible is used to create instant availability of all records and to reduce the chance for errors to a minimum. After this problem has been solved is the time to think of a suitable house for the records.

It is easy to write "after this problem has been solved." Yet this is the hardest part of the filing problem. Indexing, cross referencing, the establishment of standards—in a word, record control—is a task that usually can be best solved with the co-operation of outside, expert advice.

To recommend, in this article, any

specific system of indexing would be impractical. To detail the systems used by the A company or B company would not be broadly helpful. To set forth the principles underlying the solutions of the filing problems of many diversified organizations may provide a practical basis for future action by executives interested in reducing their filing costs and improving their filing systems.

Filing costs include the sorting, filing and finding of records, the time consumed in getting records to and from files and users, the proportionate overhead for floor space used by the filing department. Filing is one of the office tasks which can readily be put on a production basis. A piece work system of payment, with a minimum wage plus a bonus for especial speed and accuracy, is successfully used by many companies. A gauge of your filing department's efficiency can be readily had by finding the cost per record handled. The average cost for sorting, filing and finding general correspondence should be around a half cent per name handled. If, for this class of work, your cost is one cent a name, your filing department needs overhauling. This test does not apply to special filing—such as by subject—since costs may run much higher in this work. It applies to general correspondence filed alphabetically.

The question of indexing has much to do with your filing costs. The five most used methods of indexing are by alphabet, by subject, by States, towns, counties, by days or months of the year, by numerical code. Irrespective of what system is used, all information should be correlated so that cross reference is simple and speedy.

Standards must be established. Among other things, it helps filing and finding



# overhead



an alphabetical-numerical system, under which original records were filed by code number and a separate card index was kept alphabetically, each card bearing the number of the file folder containing the records in question. It was necessary to refer first to the cards to get the number and then to the file for data. In filing it was necessary to refer to the cards to get the number for properly filing letters, etc. Finally the management realized that if abstracts of records could be filed alphabetically, so could original records. This was an instance of system for system's sake, creating additional overhead and actually hampering the work.

Cross indexing, to be efficient, must do one thing only—cross index. Thus, if an alphabetical file is maintained, yet the sales department always asks for records geographically, a geographical index should be kept with the information under state, town and county headings alphabetically arranged.

To generalize about systems is dangerous, yet it seems that alphabetical filing is commonly found the easiest, quickest and most practical. Subject filing is the most difficult method, involving, as it does, innumerable decisions as to the correct subject classification of various matter and the need for extensive cross reference work because of records which are capable of two or three subject classifications. Alphabetical indexing, however, means somewhat more than A-B-C. The alphabet must be broken down into enough divisions to suit your needs. You may be using guides with a 500 division when your files need 2000 divisions. This seemingly unimportant matter is one of the major causes of slowing down filing work. A company which has less divisions than is efficient pays its clerks to paw through papers in bulky folders . . . all of which costs time and money.

(Continued on page 47)

if a standard system of nomenclature is set up for all papers to be filed. The filing department should know what every paper is technically called as part of the office routine and all departments should refer to similar papers by the same name.

How records are asked for must be considered in devising any practical filing system. For instance, the sales department may ask for an order *by town*, an individual salesman may ask *by customer's name*, the adjustment department may ask for the order shipped *on a certain date or by a certain route*, the

bookkeeping department may request *by date of billing*. Yet all these departments may be referring to the same order. Obviously, no one system of indexing would serve all these needs. So, where it is customary for departments to request information from various angles, some additional system of indexing must be provided that will correlate the information and give easy cross reference. This, too, requires care or it may prove a boomerang.

Some years ago a company installed

# "papa..!"

but actions, though they 'spoke in  
whispers', had already been overheard



at the piers truckmen marked  
names on the cases from lists in their  
possession . . . fictitious concerns

*"When a felon's not engaged in his employment,  
When a cut-throat isn't occupied in crime,  
He loves to hear the little brook a-gurgling,  
And listen to the merry village chime."*

**W**HEN Edward Lipkowitz, who had been connected with the cotton goods jobbing business for his father, Sam Lipkowitz, at 465 Broadway, did a "fade-out" on the night of August 3, 1930, he left a note for Papa Lipkowitz in which he said that he had destroyed all books and records of the firm, that he had withheld money which belonged to the firm and that he was going away. He ended his note on the plea, "Be careful how you tell it to Mama!"

At first reading this appeal might seem to prove that W. S. Gilbert of

Gilbert and Sullivan fame was right when he penned the verses at the head of this story. Maybe even felons have their finer feelings. The ending of the letter may have been a manifestation of sincere feeling on the part of Eddie Lipkowitz, but a court of law thought otherwise. They believed that the whole letter was an attempt to cover up a fraud which had been premeditated and plotted by Lipkowitz, father and son, and that the note of filial affection at the end was simply a master touch of artifice. Sam Lipkowitz tried to use the letter as defensive evidence in his trial for concealment of assets in violation of the National Bankruptcy Law. Did he succeed? What happened to Eddie Lipkowitz? Read on!

Sam Lipkowitz was a product of the East Side and his business career, up to a certain point, is typical of thousands

of other business men. Arriving in America at the age of nineteen, he went to work in his uncle's grocery store in Eldridge Street. He worked hard and eventually bought out his uncle's business. Then he moved to a larger store at No. 85 Eldridge Street. His business activities began to broaden and with them, his influence in his district. He went into the wholesale milk business, serving East Side grocery stores and was elected President of the Wholesale Grocers Association of the East Side. The fact that a man is given a nickname is often an index of his importance in his own circle. Sam Lipkowitz became known as the Sam the Strong Man, not because of his physical strength but because of his personal influence and his ability as a mediator in disputes among the members of his business group. In 1918 he branched out into a new line—cotton goods jobbing, though still at his old location at



# don't tell mama!"

85 Eldridge St. In 1927 he opened a branch at 465 Broadway. This move seems to have marked a turning-point in Sam Lipkowitz's career for from it date the events which lead up to his clash with the Fraud Prevention Department and the law.

The activities of the Lipkowitz family, climaxed by Eddie's "get-away", had been under the surveillance of the Fraud Prevention Department of the N. A. C. M. ever since May, 1929. Suspiciously large quantities of merchandise were purchased by the Lipkowitz firm beginning in April, 1929. Correspondingly large amounts were shipped out to various persons. In some cases, the names on the packages or cases and the license numbers of the trucks making deliveries were noted by investigators; in some instances the names of the concerns making shipments to Lipkowitz were obtained. A number of packages were delivered in the Lipkowitz car, Eddie acting as driver, accompanied by a shipping clerk.

The members of the Fraud Investigation Department who were assigned to this case did some masterly sleuthing. The records of their investigations make reading as exciting as detective fiction. For example:

So industrious was the Lipkowitz clan that they spent July 4th at the office packing 30 cases which would be shipped out on the following day. The lower Broadway district is deserted on a legal holiday. How could they foresee that Fraud Investigator Edelson bound for a down-town pier to secure tickets would pass their premises at 465 Broadway? But pass he did and noted the unusual activity around the freight entrance in the side-street. Later in the day he returned and remained there for several hours watching the proceedings. When questioned as to the reason for the unusual activity, the Lipkowitzes said that they were getting ready a rush shipment for Indiana.

On August 3, a number of cases bearing numbers instead of names and addresses were loaded on two trucks, and taken to a garage. On August 5th, they were delivered at various piers where the truckmen marked the names on the cases from lists which they had in their possession. The addresses were those of fictitious concerns at Fall

River, Mass., and in cities of Connecticut and Pennsylvania, and upper New York State. This was to throw investigation off the track and enable Eddie Lipkowitz to claim the cases at their points of destination and reship them to their ultimate destinations. The Fraud Prevention Department got wind of this and was able to stop shipment and recover 30 cases. Their investigations were further backed by the testimony of Post Office officials in the various cities to which the fictitiously addressed goods were shipped.

August 3rd must have been a busy day for the Lipkowitz concern. Eddie had even the patrolman on the beat working for him. The patrolman, according to a statement which he later made to the United States District Attorney, stopped in at the Lipkowitz store on that Saturday afternoon and asked what the unusual activity meant. Eddie explained that they were getting ready a rush shipment. He added that they were handicapped in their work by a shortage of packing cases and asked the patrolman if he would scout around the neighborhood for some boxes. The patrolman said he would and left the premises.

On Sunday, August 4, a taxicab, the number of which was obtained, was loaded with a number of packages by a younger son, Harry, the shipping clerk and the taxi-driver. Later the same day, Harry Lipkowitz, the shipping clerk and a third man took merchandise away in Sam Lipkowitz's car.

The foregoing gives the facts as reported by the Fraud Department's investigators. Sam Lipkowitz's story was entirely different. He claimed to have spent the time from July 24 through August 4 in Pinebrook, New Jersey. His son Eddie is supposed to have spent Saturday night, August 3 with his

father at the New Jersey resort. Note, however, that Sam Lipkowitz was observed in New York on August 3. Sam Lipkowitz said that he arrived in New York on Monday, August 5, found his merchandise, records and money gone and the explanatory note from son Eddie with the "Papa, don't tell Mama" finish.

A receiver in bankruptcy was appointed on August 9, 1929. Sam Lipkowitz and Eddie Lipkowitz were indicted on charges of concealment and conspiracy to conceal assets from the Trustee in Bankruptcy. Later a superseding indictment charging four persons with conspiracy was handed down.

In subsequent hearings in the case, the damning facts began to come out. At some time prior to July 23, Sam Lipkowitz pawned his accounts receivable to a finance company. All of the checks received in payment were endorsed by Sam Lipkowitz and cashed by his brother's bank. Checks received by Eddie were also cashed by Sam Lipkowitz's brother. On July 23, the Lipkowitz firm placed merchandise on consignment with an auctioneer. This transaction netted them over \$4,500. Both Sam and Eddie were present in New York when the deal was completed and Sam received a certified check from the auctioneer. This happened during the period which Sam Lipkowitz was supposed to have spent at Pinebrook. Other sales, one netting \$3,000 and another \$1,900 were made on Saturday, August 3rd, which disposed of the merchandise at 85 Eldridge St.

At a hearing a jobber testified that he bought 23 or 24 cases of merchandise for \$3,900 from Eddie just prior to the petition in bankruptcy. An employee of another concern testified to

(Continued on page 53)



master-stroke  
of deception





# meet the customer more than half-way

(to collect)

by C. B. SHELLEY  
Wm. S. Scull  
Company

## the fourth generation of the House of Scull proves that old fashioned courtesy pays

**O**UR company is this year celebrating its Hundredth Anniversary. The Wm. S. Scull Company is one of the oldest, yet one of the most progressive of Camden's industries. It was established in 1831 when the whole city huddled close to the shores of the Delaware. In addition to the Scull Plant at Camden, New Jersey, the Company also operates plants at Rochester, New York, and Dayton, Ohio. The most widely known Scull Product is Boscul Coffee, said to have the largest sale of any high grade package coffee in the territory where it is sold. During the one hundred years of active leadership in importing, blending and roasting fine coffees, the "House of Scull" has held firmly to the quality established by its founder.

We are all very proud of the close co-operation existing between the Credit and Sales Departments in our organization. In fact, in all the different departments, "Service" is the watchword. Building customers' good will is the aim of all in the Credit Department. We try to get the salesmen to see that anything that might affect customers' good will, or stand in the way of a sale is purely a sales proposition—whether it is making collections, adjusting a disputed account, discount, or any of the many little things that might arise in

the handling of an account and cause friction.

We have a very liberal credit policy, but not a foolish one. We believe that there must be a spirit of give and take in doing business and that the human element is still a big factor and should always be present. The salesmen are kept informed of everything that goes on between the customer and the house direct. They receive copies of all letters sent out and are made to feel that they are the company's real representatives, and in order to conduct themselves as such, should be in possession of all facts relating to accounts in their territories.

When a salesman enters our employ, he is given a copy of our Credit Policy and a list of Credit Thoughts—which, we feel, are full of good common sense, and bring before them important ideas in a few words. We quote here a few of these thoughts:

"There is a little kink in our minds which makes 'the money that is most easily borrowed, the most difficult to repay.'

"Habitually slow payers—They got started wrong. *Start them right and keep them that way.*

"A man's responsibility is in his manner of meeting his obligations at maturity."

At different periods of the year, we call upon our salesmen for cooperation in a drive on collections, giving all the reasons for it. Usually we have very gratifying results. A very close watch is kept by our President on the trend of collections and he is always willing to make a personal appeal to salesmen for closer collections. This is always done in a very constructive way. The men understand that this is done for sound business reasons, and, in order that we may always continue our liberal credit policy. In fact, our management all the way through is always stressing prompt collections and trying to keep alive the spirit of co-operation between the Credit and Sales Departments.

There is bound to be a volume of correspondence, both general and collection letters, in handling a large number of accounts such as we have. We stress the "You" attitude in all our letters and try to make them warm and friendly, emphasizing co-operation and mutual confidence. If it is felt that a personal letter from a salesman will have a better psychological effect, then the salesman writes the letter. However, there is a lot of correspondence that must be carried on direct with the customer; but, we are always guided by the salesman's thought in the matter.

In our collection letters, we endeavor to convey to the customer the idea that the salesman and Credit Department are going out of their way to serve him and as there are limits to how far we can go, it is up to him to do his part to justify our confidence in him. We are obliged to make use of form letters with certain classes of accounts to a certain point, but decide each account on its own



coffee in bud makes  
a pattern worthy of  
adoption as a  
tapestry motif

**SUSPENSE** Card No. Folio **N 3**

Rating Name **CHAS B SHELLEY**  
Limit Address **209 N 6TH ST  
CAMDEN N J**

21-Brownstone Road, Inc. BP. 4414-G

DATE	FOLIO	MEMO.	BOSCU COFFEE	BLEND	DEBITS	CREDITS	NEW BALANCE	OLD BALANCE
1929								
NOV 1	234	MD SE	240		200 00		200 00*	00*
5	275		180		150 00		350 00*	200 00*
11		CASH				200 00	150 00*	350 00*
15		CASH				150 00	00*	150 00*
DEC 3	286		180		150 00		150 00*	00*
13		CASH				150 00	00*	150 00*
1930								
JAN 4	303		240		200 00		200 00*	00*
SEP 30		TO LOST A/C				200 00	00*	200 00*

merit. The small account receives the same thought and attention as the large one, with the feeling that tomorrow it may be the large one. If a customer should take an unearned discount or violate our terms in any other way, and prove to be stubborn in adjusting the matter, we will very graciously charge it off, provided we feel that we have gotten our side of the story across. This method has been very successful in building up our customers' respect for our terms.

Naturally, like any house selling on open credit, we have our problems. In all collections we try to be firm (not brutal) and do our utmost to collect amicably. However, should it be necessary to give an account to an attorney, we do so without any hesitancy, feeling that we have given him every chance to pay, and have tried to protect his credit standing, and it is he who is forcing us to take the unfavorable action.

The salesman fills out a printed re-

port on all new accounts, giving his opinion of the risk and any other information he can get. We make use of the Mercantile Agencies' rating books and reports. We are members of the Interchange Bureau of the Philadelphia Association of Credit Men, and are frank in saying that we cannot see how we could dispense with this service. The free reciprocal report is a big aid in watching accounts, and considering the number of these reports received, it makes the cost of the service very small. We recommend this service to every credit department. A separate folder, in which all papers bearing on credit are assembled and filed for ready reference, is made up for each customer. We do not employ a very elaborate system, as our aim is simplicity of operation at all times. We use an 8" x 10" ledger card in our bookkeeping department, which the Credit Department finds very

convenient in following up correspondence. The date and number of the letter, if it is a form letter, or, simply the letter "L" which designates that a personal letter was written, is noted on the bottom of the card. We also make lead pencil notations of any replies and can see at a glance by looking at the ledger card, just what the status of the account is.

Our ledgers are arranged geographically—with all accounts for a particular salesman together. This makes their use very flexible, permitting them to be lifted out of their tray and taken to a desk, where they can be referred to conveniently and without disturbing the bookkeepers. It is necessary for us to make our statements in duplicate and to show all open items so that the salesmen will have in front of him a complete picture of the account for

(Continued on page 53)



# automatic

■ protection...even  
against human failure  
to provide coverage  
... is the ultimate  
safeguard of the  
capital behind our  
industrial building



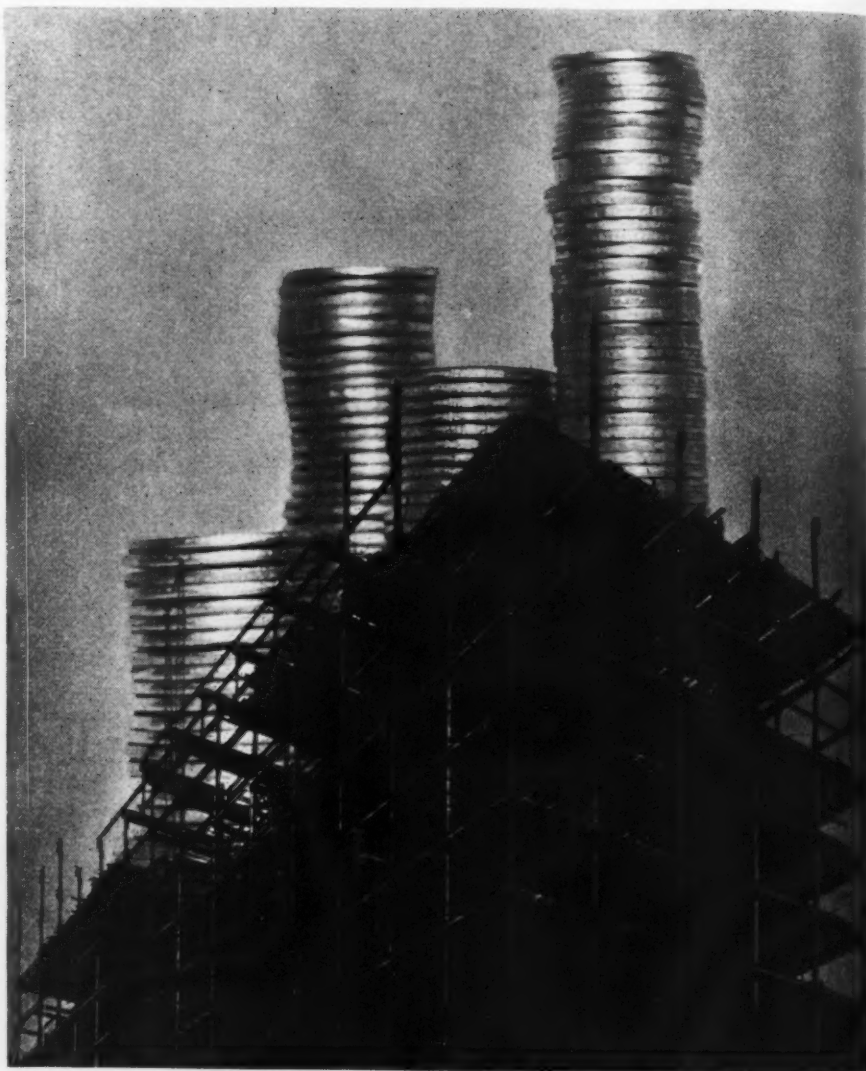
by CLARENCE T. HUBBARD

It is almost as difficult to keep up with the changes in insurance forms and coverages as it is to keep up with the styles.

To the average property owner and business man, these policy alterations, improvements and changes, are usually accepted in a rather offhand manner, as "another frill", or another display of underwriting ingenuity.

The credit manager usually views these changes a bit differently. So does the lawyer, the corporation treasurer, the student banker, and the financial investor. A small change in the wording of a contract may be of considerable consequence. The credit manager in buying and analyzing insurance has, as a rule, sufficient confidence in the intent of the wording of the insurance company's contracts, but what he does want to know is "what gaps are covered, and what gaps are left open?"

For instance, a slight change in a general way, but vital to the banker, or the credit manager, is the difference



between the *automatic reporting builder's risk form* and the old fashioned builder's risk. Under the automatic reporting form the contractor, or the building owner of a school, or a church, or a factory, or an office building, is fully protected at all stages of the construction job, providing he accurately reports the values once a month.

This is of extreme importance from a credit angle. Under the old plan, if a man constructed a building, he took out fire insurance and added to it by endorsement as the building grew. If, in the rush of things he forgot to increase the policy, or if his agent or broker was lax, and the building burned, the situation was serious. If he was of the cautious type, then prob-

ably he was *over insured*.

And the subject of co-insurance enters. A school being constructed of considerable value was insured by the town selectman under the old plan. A fire occurred and there was a considerable blaze, for while modern buildings are built of steel and stone, they are during construction a veritable lumber yard. When they came to dig out their insurance policies they found two of them written with 80% co-insurance and three with 90% co-insurance. As the insurance to value at the time of the fire was all out of proportion it was a pretty small loss that was collected.

Under the automatic reporting form of builder's risk this can be avoided. The policy is issued for a limit of not exceeding the contract price of the building. If this is a million dollar job



# C coverage

the policy is issued in the amount of \$1,000,000. The assured is protected up to that million at all times, though naturally this liability seldom develops until the building is nearly completed. Once a month, on a certain designated and agreed upon day, a statement of values is submitted showing the values of the building and equipment on that particular day. If the fifteenth is agreed upon, then on the fifteenth of each month a statement must be provided by the assured showing his values. A premium charge for one year at the builder's risk rate, is applied against the first statement of values submitted to the company. Then the second statement is dated back fifteen days by the insurance company in figuring their premium charge in order to arrive at an average of the liability at risk, as all increases are on a pro rata basis. That is, a full year's premium is charged against the first statement the values of which, we will say are, \$10,000. Then the second statement, which is perhaps \$20,000, is charged on the basis of a eleven and one-half months' term, the third, ten and one-half months, and so on.

The one very important feature for the credit manager to watch, if he has any interest in any construction going on, is the necessity for accurate reports on the particular day they are due for there is an "honesty clause" in the policy. It reads as follows:

In case of loss, liability hereunder shall not exceed that proportion of such loss, which the last reported value at the point where the loss occurs bears to the actual value of said property at that point, at the time of such report; liability for loss occurring at any location acquired since the last report, shall not exceed that proportion which the last reported values at all locations bear to the total values at such locations.

This means that the values reported on the agreed upon date must be the accurate values of that date or else the penalty is applied. It does not mean that in the event of a loss a proportion of the loss is paid. If the policy is for \$1,000,000, and the reporting date is the 15th of the month, and the report shows \$10,000, and three days after

there is a loss of \$15,000, and there is \$15,000 in values at that time, the loss is paid providing the \$10,000, which was reported on the 15th represented the true values on that date. If there was \$12,000, on the 15th instead of \$10,000, and an audit would disclose this at the time of a loss, then the assured would collect only 10/12 of the loss. This automatic builder's risk policy is available only for the hazards of fire, riot, explosion, tornado and earthquake, and there are still a few territories in which this policy has not as yet been adopted. So much depends on the capital behind the new construction projects which will soon swing into increased activity that the credit angle of protecting that capital in the surest way possible is extremely important. Furthermore, it is a most economical way of insuring.

Along this very line of consideration, the automatic reporting form of coverage has been broadened considerably in the past year and legalized insurance-wise for insuring the fluctuations of contents of almost every kind of business. This reporting form, more commonly known as the general cover, was formerly available on stocks of merchandise of stores, and warehouse stocks of manufacturers. That is, as most readers understand, a master policy was issued in which limits were designated for the various locations and then a monthly report of values required showing the merchandise on hand at each location, and the insurance was automatically adjusted. The advantages are: one policy instead of many, pro rata cancellations instead of short rate, and a limit of liability for unknown locations which might develop in between reporting dates. Usually two or more locations are required to qualify for such a contract, although the single location reporting cover is gradually creeping in, though generally declined by most fire insurance companies. It is against the rules to write reporting covers at single locations with the exception of grain elevators, cotton seed oil mills and such risks, and the insurance companies are reluctant to see this single location de-

velopment for they fear that it will be carried far beyond its present need for exceptional risks here and there. On the Pacific Coast and in the Northwestern States though, this form is quite general.

The reporting form, known as the multiple location cover, is now available to insure the fluctuating contents of retail and wholesale stores, warehouse stocks of manufacturers and distributors, and also canneries, bakeries, restaurants, retail lumber yards, tobacco industries, sugar in warehouses at refineries, ice cream factories, creosoting plants, cheese factories, bottling works, biological laboratories, carbon black plants, and naval stores, as well as fertilizer plants.

Any of these industries, if they have five or more locations, can obtain a reporting cover *written at an average rate*. This average rate is published by a bureau which serves all fire insurance companies as a means of treating with such risks as wholesale fire insurance.

The insurance, whether it is fire, riot, sprinkler leakage, tornado, explosion or earthquake—cannot attach on any buildings, but must be confined to the contents only, meaning merchandise, furniture and fixtures, betterments and improvements, and in stores and warehouses, incidental machinery. Contents of manufacturing plants are not eligible, neither is it possible to obtain a reporting cover on fixtures and improvements unless the merchandise is also included.

The main feature, the monthly reporting plan, has found favor. Again the credit manager, if he is financing any corporations using this form should insist on the necessity of accurate reports, for otherwise the honesty clause, as explained in the first part of this article, will be applied. The actual values on the reporting date is all that is

(Continued on page 53)

# Nation-Wide Collection and Sales Conditions

## WHAT THEY ARE AT PRESENT

## THE OUTLOOK FOR THE NEAR FUTURE

**C**REDIT AND FINANCIAL MANAGEMENT offers its thirteenth monthly survey of Collections and Sales Conditions. This survey is based upon reports from 117 cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?",

■ This is the thirteenth monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit and Financial Management.

are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so

that you may see at a glance how conditions are reported in various cities in each State. You may also see at a glance what cities report a condition of "Good, Fair and Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

### COLLECTIONS

### SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Alabama	Montgomery			Slow			Slow
Arizona	Phoenix		Fair			Fair	
Arkansas	Little Rock		Fair			Fair	
California	Los Angeles		Fair			Fair	
	Oakland			Slow			Slow
	San Diego			Slow	Good		
	San Francisco		Fair			Fair	
Colorado	Denver		Fair			Fair	
	Colorado		Fair			Fair	
Connecticut	New Haven	Good			Good		
	Waterbury		Fair			Fair	
Dis't of Columbia	Washington		Fair			Fair	
Florida	Jacksonville			Slow		Fair	
	Miami	Good			Good		
	Tampa		Fair			Fair	
Georgia	Atlanta		Fair			Fair	
Idaho	Boise			Slow			Slow
Illinois	Chicago		Fair			Fair	
	Galesburg		Fair			Fair	
	Peoria			Slow			Slow
	Rockford			Slow			Slow
	Springfield			Slow			Slow
Indiana	Evansville		Fair				Slow
	Fort Wayne		Fair			Fair	
	Indianapolis			Slow		Fair	
	South Bend		Fair			Fair	
	Terre Haute			Slow			Slow
Iowa	Burlington		Fair			Fair	
	Cedar Rapids		Fair			Fair	
	Davenport		Fair			Fair	
	Des Moines			Slow		Fair	
	Ottumwa		Fair			Fair	
	Sioux City		Fair			Fair	
	Waterloo		Fair			Fair	
Kansas	Wichita		Fair			Fair	
Kentucky	Louisville		Fair			Fair	
Louisiana	New Orleans		Fair			Fair	
	Shreveport			Slow			Slow
Maryland	Baltimore		Fair			Fair	
Massachusetts	Boston		Fair			Fair	
	Springfield		Fair			Fair	
	Worcester		Fair			Fair	

CREDIT AND FINANCIAL MANAGEMENT

## COLLECTIONS

## SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Michigan	Detroit		Fair			Fair	
	Flint		Fair			Fair	
	Grand Rapids		Fair			Fair	
	Jackson			Slow		Fair	
	Kalamazoo		Fair			Fair	
	Lansing			Slow			Slow
	Saginaw			Slow			Slow
Minnesota	Duluth		Fair			Fair	
	St. Paul		Fair			Fair	
	Minneapolis		Fair			Fair	
Missouri	Kansas City		Fair				Slow
	St. Joseph		Fair				
	St. Louis			Slow		Fair	Slow
Montana	Billings		Fair			Fair	
	Great Falls			Slow		Fair	
	Helena		Fair			Fair	
Nebraska	Lincoln		Fair			Fair	
	Omaha			Slow			Slow
New Jersey	Newark		Fair			Fair	
New York	Albany		Fair			Fair	
	Binghamton		Fair			Fair	
	Buffalo		Fair			Fair	
	Elmira		Fair			Fair	
	Rochester	Good			Good	Fair	
	Syracuse		Fair			Fair	
	Utica		Fair			Fair	
North Carolina	Charlotte		Fair			Fair	
North Dakota	Fargo		Fair			Fair	
Ohio	Cincinnati		Fair			Fair	
	Cleveland		Fair				Slow
	Columbus		Fair				Slow
	Dayton		Fair				Slow
	Toledo			Slow			Slow
	Youngstown			Slow			Slow
Oklahoma	Oklahoma City			Slow			Slow
Oregon	Portland		Fair			Fair	
Pennsylvania	Allentown		Fair			Fair	
	New Castle			Slow			Slow
	Philadelphia		Fair			Fair	
	Reading		Fair			Fair	
	Scranton			Slow			Slow
	Wilkes-Barre			Slow		Fair	
Rhode Island	Providence		Fair				Slow
South Dakota	Sioux Falls			Slow		Fair	
Tennessee	Knoxville		Fair			Fair	
	Memphis		Fair			Fair	
	Nashville		Fair			Fair	
Texas	Austin		Fair		Good		
	Dallas		Fair			Fair	
	El Paso			Slow			Slow
	Ft. Worth			Slow			Slow
	Houston		Fair			Fair	
	San Antonio			Slow		Fair	
	Waco		Fair			Fair	
	Wichita Falls		Fair			Fair	
Utah	Salt Lake City			Slow			Slow
Virginia	Bristol		Fair			Fair	
	Lynchburg		Fair			Fair	
	Norfolk		Fair			Fair	
	Richmond		Fair			Fair	
	Roanoke			Slow			Slow



## COLLECTIONS

## SALES

State	City	Good	Fair	Slow	Good	Fair	Slow
Washington	Bellingham			Slow			Slow
	Seattle		Fair			Fair	
	Tacoma		Fair			Fair	
West Virginia	Bluefield			Slow		Fair	
	Charleston		Fair			Fair	
	Clarksburg		Fair			Fair	
	Parkersburg		Fair			Fair	
	Wheeling			Slow			Slow
	Williamson			Slow			Slow
Wisconsin	Fond du Lac			Slow			Slow
	Green Bay		Fair			Fair	
	Milwaukee		Fair			Fair	
	Oshkosh			Slow			Slow
Ter. of Hawaii	Honolulu			Slow			Slow

## ■ ■ COMMENTS ON COLLECTIONS AND SALES CONDITIONS ■ ■

**CALIFORNIA:** Collections and sales in the state of California have shown a slight improvement although collections are rather spotty, as shown by San Diego falling to "Slow" while San Francisco reports that in some channels collections are better than last month. Sales in general are "Fair" and an improvement is noted in the building and construction lines.

**CONNECTICUT:** Connecticut is steadily climbing to better business conditions. New Haven still leads with the report of "Good" in Collections and Sales, and inform us that a decided improvement is noted in both. Waterbury reports heavy buying of raw copper by at least one of their leading manufacturers which will lead to increased employment and consequent better local trade conditions.

**IOWA:** General conditions in Iowa are "Fair" with little or no improvement over last month. Farmers are cautious about buying until they are assured of a new crop.

**KENTUCKY:** Both collections and sales are "Fair". Sixty-seven per cent. distribution now available in closed Na-

tional Bank of Kentucky. Committee also working to re-open Louisville Trust Company and if successful, an improvement in the local situation is expected.

**LOUISIANA:** An optimistic tone still prevails but conditions continue "Fair" through New Orleans. Collections in Shreveport are very slow and no improvement is foreseen before Fall.

Oil development in North Louisiana and East Texas is helping some lines of business but sales are running far below 1930 for corresponding period.

**MASSACHUSETTS:** Conditions throughout Boston and Springfield are on the upward trend and in many cases firms have reported collections and sales as good. Springfield also reports that the factories are putting on more help.

**MINNESOTA:** Business in general is "Fair", Duluth and Minneapolis have climbed from "Slow" to "Fair" this month, which seems to have been the movement of many cities throughout the country. Although the rating of Minneapolis in general has improved, many firms report sales volume slightly below those of last year, which in some cases is due to the low prices.

**MISSOURI:** Very little improvement is noted through this territory. St. Joseph reports (Continued on page 53)

## CHANGES SINCE LAST MONTH

State	City	Collections	Sales
Alabama	Montgomery		Fair to Slow
Arizona	Phoenix	Slow to Fair	
California	Los Angeles		Slow to Fair
	San Diego	Fair to Slow	
Connecticut	New Haven	Fair to Good	
	Waterbury	Slow to Fair	Slow to Fair
Florida	Miami		Fair to Good
Georgia	Atlanta	Slow to Fair	
Illinois	Chicago	Slow to Fair	Slow to Fair
	Galesburg	Slow to Fair	Slow to Fair
	Springfield	Fair to Slow	Fair to Slow
Indiana	South Bend	Slow to Fair	Slow to Fair
Iowa	Burlington	Fair to Slow	Fair to Slow
	Des Moines	Fair to Slow	
	Ottumwa		Good to Fair
Kansas	Wichita	Slow to Fair	Slow to Fair
Massachusetts	Boston		Slow to Fair
	Springfield		Slow to Fair
Michigan	Detroit	Slow to Fair	Slow to Fair
	Flint	Slow to Fair	Slow to Fair
	Lansing		Fair to Slow
Minnesota	Duluth	Slow to Fair	Slow to Fair
	Minneapolis	Slow to Fair	Slow to Fair
Missouri	Kansas City	Slow to Fair	
	St. Joseph	Slow to Fair	
Montana	Billings	Slow to Fair	
	Helena	Slow to Fair	
New York	Rochester	Fair to Good	
Ohio	Cleveland	Slow to Fair	
	Columbus	Slow to Fair	Fair to Slow
	Dayton	Slow to Fair	
	Youngstown	Fair to Slow	Fair to Slow
Oklahoma	Oklahoma City	Fair to Slow	
Pennsylvania	Scranton	Fair to Slow	Fair to Slow
South Dakota	Sioux Falls		Slow to Fair
Tennessee	Memphis	Slow to Fair	
Texas	Austin		Fair to Good
	El Paso	Fair to Slow	
	Fort Worth		Fair to Slow
	Houston	Slow to Fair	Slow to Fair
	Wichita Falls		Slow to Fair
Utah	Salt Lake City	Fair to Slow	Fair to Slow
Washington	Bellingham		Fair to Slow
	Seattle		Slow to Fair
West Virginia	Parkersburg		Fair to Slow
Wisconsin	Green Bay	Slow to Fair	Slow to Fair
	Oshkosh	Fair to Slow	Fair to Slow
Ter. of Hawaii	Honolulu		Fair to Slow



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Multiplies rate by number of hours or pieces and prints results—all extremely fast. Automatically accumulates and segregates total earnings to show total day work, total piece work, etc. Posts earnings or distribution records as by-product.

### BILLING

Writes, computes and totals invoice in one operation. With any other methods, the bill must first be figured, then copied. All calculations, including fractions, discounts, deductions, and totaling performed as bill is typed. Extensions and totals printed by one key depression.

### INVENTORY

Multiplies quantities by prices and prints results, types descriptions, accumulates total for each sheet and each section. Figures, writes and totals complete inventory in one operation.

### COST WORK

Calculates overhead, posts labor and material charges to job records, computes and records total cost to date—all in one operation. Simplifies job costs, standard costs, overhead distribution.

### STORES RECORDS

Extends requisitions while posting stores ledger. Figures the new quantity and value on hand, proves the posting and all computations and automatically accumulates separate totals of "receipts" and "issues."

### PRORATING

Multiplies amount to be prorated by each of the factors, and prints result of each multiplication. Automatically distributes fraction of a cent so that total of all prorations, which accumulate in the machine, will exactly agree with amount prorated.

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Multiplies valuation by tax rate and prints results; writes the tax bill, completes the tax roll, and segregates the total tax into funds or other classifications—all in one fast operation.

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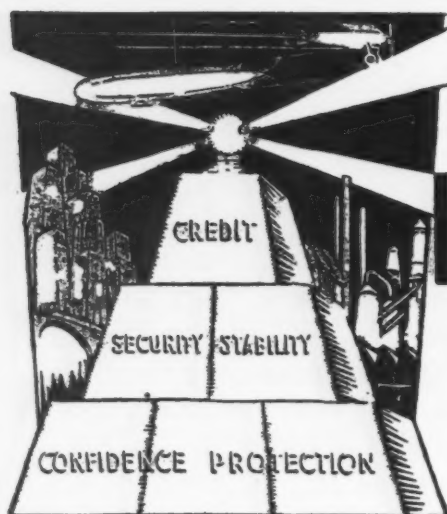
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APRIL, 1931

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# INSURANCE DIGEST

As the credit executive is in closer contact with the insurance field than any other business man excepting the insurance man himself, the Insurance Digest has been inaugurated to fill the need of the credit fraternity for insurance news and information.

## Edward A. Filene on Unemployment Insurance

Unemployment insurance is one of the important questions facing government and business today. It is of such great significance that it will be one of the subjects discussed at the annual meeting of the Chamber of Commerce of the United States.

Business thinkers are interested in the subject. In a recent article in the *New York Times*, Mr. Edward A. Filene gave his views on unemployment insurance. He said in part:

"I am in favor of State insurance that permits an employer to set up his own insurance plan in his own company with benefits and reserves equal to the provisions required under the State law. (I firmly believe that not only employers but also employees and all public-spirited citizens should oppose with all their power any State unemployment insurance that does not adequately provide for private insurance.) Such legislation would be advantageous to all concerned for several reasons.

"First, it would place all industry on the same basis. The apparent weakness of private insurance at present is that at best only a few outstanding corporations or even trade groups would adopt such a policy. Suppose fifty or 100 of the largest industrial corporations in America were to establish unemployment insurance. A fine step forward, you may say, but what about the thousands of concerns which make no such provision? They continue to carry on without provision for full-time employment, and without setting aside the 1 or 2 or whatever per cent. of the pay-

roll is necessary for payment to unemployment funds. Further, if the schemes adopted were contributory, how would the wage earners in the leading corporations feel about it? Many of them would unquestionably believe that they had suffered a wage reduction, that they had been placed at a disadvantage in competition with workers in the other concerns. By reason of State insurance, all corporations and wage earners start and finish equally.

"The adoption of such insurance would result, moreover, in obvious betterment of technique or organization, of co-ordination between production and distribution. Successful employers, who manage by fact-finding research instead of traditional methods or opinions, would adopt their own private insurance plans, subject to meeting certain State requirements. The establishment of such plans would give an additional impetus to studying and finding means to give full-time employment by staggered production, by seeking new marketing outlets, by eliminating seasonal peaks and valleys."

"I have no 'hard and fast' opinions as to the details of the form or type of such insurance. I believe, however, that both employers and workers should make contributions to funds; that industries should be classified on the basis of the risk of unemployment; that employers' contributions and benefits should be based on a sliding scale of wages; that benefits should be paid

only for a maximum period and not indefinitely."

## Is Your Building "Fire-Resisting"?

The term "fire-proof" has been used too loosely, says Herbert E. Maxson, vice-president of the America Fore Companies, and has created a false sense of security in property owners. No building can be absolutely fire-proof. Modern construction, however, can produce buildings which are "fire-resisting" to a very high degree.

The ideal "fire-resisting" construction, according to Mr. Maxson, uses solid masonry one and one-half inches or more in thickness to protect the structural framework, has floor and roof arch construction of masonry—either reinforced concrete or brick of thickness and span sufficient to support any weight to which it may be subjected. It should also have all of its floor openings such as elevator, stairway, dummy, pipe, ventilating and other shafts enclosed by fire resisting walls, i.e., plastered brick, terra cotta or gypsum blocks, with reliable fire doors at all openings.

It is moderately "exposed" and has polished wired glass windows in hollow metal frames on all exposed sides and on all sides above the eighth floor. All interior wood work is treated with fireproofing and its floors are scuppered or otherwise protected with adequate drainage to remove water in the event of fire.



## I Would Rather —

by Vernor Hall

I would rather be a fat man that wabbles when he walks,  
Than be a little skinny man that rattles when he talks,  
And I'd rather be a fat man with a smile upon my face,  
Than be a ninety-pounder scattering gloom in every place.  
I would rather be a fat man, and never see my shoes,  
Than be a human skeleton and always have the blues,  
And I'd rather be a fat man, and always look well fed,  
Than be a stack of skin and bones, and appear already dead.  
And I'd rather be a fat man, and laugh and love and sing,  
Than be a little skinny man, and not amount to anything.

## "Rock"

(Continued from page 7)

games. Rock was not present at the game. Anderson, Assistant Coach, and the boys were worried about how this man who loved to win and in whose experience losses were rare, would take it. That evening, he called Anderson by long distance to say "Just forget about that one, Hunk. You did fine—better than I could have done. They were just a better team, that's all. Let's forget it and beat the Army next week."

Rockne's system? How many times that question has been asked, and how difficult it is to answer, for much of the system was Rockne himself. Insofar as it was system as distinct from the man himself, its attributes were similar to those which make for success whether the game be football or business or life itself.

Football as Rock found it when he began his career as a coach was not a game to which his physique was well adapted; for he was of slight build compared to the two hundred pound bone-crushers of that day. Even as a player, he began to change the style of play. Later, as coach, he was in a position to contribute more largely to the development of the forward pass, the shift, the substitution of adroitness for mere brute strength in line play. All of these were directed toward the substitution of brains and alertness for mass play. Since his physique and that of many later stars was not adapted to

the style of play, he began the task of adapting the style of play to his physique—and made football a better game because of the change.

In talk of Rockne's "wizardry," one important fact was often overlooked. No coach was ever more persistent about *fundamentals*. Back of the perfect execution of one of those rapier-like touch-down thrusts which so delighted the spectator, were grueling hours of blocking, tackling, interfering and all of the other requisites to the brief moment of glory in a big game.

Co-ordination! Every play Rock devised was a program. Each player had a definite place in it—the goal was the objective; and when every man performed his allotted task perfectly, any play was likely to be a touch-down play.

But after all, whether the talk is of Rockne teams or Rockne system or what not, inevitably it returns to Rockne the man. Throughout years of friendship I was constantly amazed anew by his rare versatility.

What ever the group might be, this man whose vocation was football and whose avocation was life in all its manifestations, was an interested listener and a respected contributor to the discussion. This participation was in no spirit of conceit; it was merely indicative of an all-pervasive interest. Life to Rock, whose first university position was the teaching of chemical reactions, was constant research in the broader field of human actions and reactions.

## Each Player an Individual

This research spirit led inevitably to practical psychology. Attendance at practice sessions of the football team was a liberal education in the handling of men. There was no "mass production" idea in his coaching. Each player was an individual. With uncanny insight, Rock knew which boy could be helped by a pat on the back and which one needed a penetrating shaft of sarcasm. Each separate treatment had its definite objective; and this objective was not merely the making of a football player. Back of that was the conviction that he was training "his boys" for the greater game of life.

Just one thing more—and it is so intangible a thing that it cannot be described; yet, after all, it remains as the most outstanding remembrance—his personal magnetism!

This elusive but very real quality was the crucible in which all of the other attributes were mixed. This it was

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which indelibly impressed the man himself—rather than the coach—upon the minds and hearts of men. This it was which gave supreme success rather than ordinary success and which brought to Rock his greatest reward—the strong, unwavering love of the boys whom he loved and of virtually everyone with whom he came into contact.

## "Write Rockne"

On that March afternoon, the flash came that Rock had gone; gone in the spectacular way typical of all that he did. But for the vast throngs of those who watched vividness transplanted into the actions of "his boys" on the grid-iron; for those who were stimulated by his sparkling wit and depth of philosophy; above all for those who were privileged to be drawn irresistibly by the charm of his great capacity for friendship—for those he can never be gone.

So alive is he that perhaps some day, even yet, in a moment of glad forgetfulness I may glance at my memorandum, sit down before my desk and "Write Rockne."

## billions to bolts

(Continued from page 11)

the President passes upon the budget, it passes through the third channel of procedure to Congress, where it is considered by the legislative wing of the government, voted upon as individual appropriation bills and returned through the fourth channel to the President for approval. The Departments and establishments must then limit their operations within the amounts provided for them in these appropriation acts. Every business organization should chart the flow and progress of its budget procedures as carefully and thoroughly as the government has done.

Important and indispensable as the budget process may be, its purpose is defeated unless appropriations, expenditures and receipts are maintained in proper balance throughout the year. Making a budget is one thing and keeping within the budget figures is another, particularly in the biggest business corporation in the world. I asked Colonel Roop how the government meets this problem. He answered:

"When appropriations have been made and before the commencement of the fiscal year the departments and establishments are required to apportion their funds to the quarterly periods in accordance with the anticipated rate of expenditure and wherever practicable to set up a part of the funds as a reserve to meet unforeseen contingencies. Records of these apportionments are kept in the Bureau of the Budget, which must be notified of any modification of them or any release of money set up as a reserve, together with the reason for the change.

"Actual expenditures, of course, are recorded through the regular accounting system and serve as a basis for comparison with the estimated expenditures as published in the Budget. The Bureau of the Budget also receives and assembles monthly a revision of the estimated expenditures and receipts, which furnishes a current picture of the operations of the Government and permits of correctional, administrative action when the need for it is shown. These monthly revisions of the estimated receipts and expenditures are not published but are compiled for the information of the President, the Secretary of the Treasury and the Director of the Budget for their guidance in administering their duties in connection with the fiscal control of Federal expenditures and financing operations."

The simplicity of this procedure commends it to the consideration of every business man. Off hand one would think that the "follow-up operations" of the United States budget would be rather complex and difficult. This program of follow-up routine could be definitely adapted for the use of almost any business organization in the country.

One of the fundamental purposes of every budget is to provide a reserve for meeting emergencies that cannot be anticipated when the budget for any year is made up. There is also the necessity of administering the budget in such a way that a certain amount will be put away in a reserve fund. I discussed this matter of reserves with Colonel Roop. When the present budget program was formed in July, 1921, a provision was made for an apportionment of reserves for each fiscal year. When these reserves are not required to meet emergencies or other essential needs, they of course constitute a permanent saving. From 1922 to 1929, the aggregate unexpended balance of these reserves amounted to approximately \$418,000,000. The budget surplus each year is generally applied against the public debt. For example, the surplus for 1930 was around \$184,000,000 and this amount was applied against our outstanding public debt of \$16,185,000,000. In addition to this reduction through the surplus, the portion of the sinking fund for the reduction of the public debt amounted to over \$388,000,000. An additional \$166,000,000 from the foreign debt repayments and other special receipts made a total reduction of about \$735,000,000 from our public debt. The magnitude of these figures is really imposing when one starts to "finagle them," but the ease with which the budgetary and financial operations of the United States Government are carried on is a tribute to the organization of the Bureau of the Budget and the Treasury Department.

In this article we are concerned only with the organization of the Bureau of the Budget. Colonel Roop explained the entire set-up of the operating organization of the Bureau. Under the glass on his desk is an organization chart of the Bureau of the Budget. Rather than give a word description of the set-up of this department of the Bureau, I asked Colonel Roop for permission to reproduce this chart for the benefit and information of CREDIT AND FINANCIAL MANAGEMENT readers. It is necessary to explain, however, that each of the government's departments and establishments has a budget officer who co-op-

erates with the Bureau of the Budget in the preparation and presentation of the estimates of their respective departments. In this connection, Colonel Roop said, "The assistance of these departmental budget officers is invaluable. They occupy a position of responsibility which directly affects the work of the Bureau. It is their duty to see that the estimates of appropriations as well as the estimates of receipts and expenditures are prepared in a manner that conforms to the instructions regarding the preparation of such papers. These budget officers have a dual responsibility: one to the heads of their respective departments and the other to the Budget Bureau. Their knowledge and co-operation is an indispensable factor in the government's budgetary work."

### Federal Co-ordination

On the organization chart reproduced in connection with this article, you will see a direct line running from the Assistant Director of the Budget down to the Chief Co-ordinator. The purposes and duties of the Chief Co-ordinator and his staff are of the greatest significance and importance. I asked Colonel Roop for a description of the activities of the Federal Co-ordinating Service. His reply follows:

"The purpose of the Federal Co-ordinating Service is to analyze and co-ordinate the operating activities of all government departments and establishments for the purpose of effecting economies and money savings, for assisting and facilitating programs and operations between departments in an effort to promote greater efficiency and expeditiousness in the handling of the business of the government. I feel that the work of the Federal Co-ordinating Service is not as well known as it should be by business men of the country.

"A few examples will show just what kind of work the Federal Co-ordinating Service does. During the Christmas season, for example, the Post Office Department has a heavy demand for additional trucking facilities. The facilities available for normal work during the year do not begin to meet the requirements for the Christmas season. The Co-ordinating Service studied this problem and found that during this heavy demand season, it would be possible to transfer trucks and automobiles in use by other government departments to the Post Office Department during this period, the Post Office Department of course paying the operating expenses for



these facilities. What has been the result? Simply that the Post Office Department has been enabled to save a great deal of money through this co-ordination of transportation facilities."

While I was dictating this article, a former government employee, in the office next to mine, stepped in and said, "Would you like to have me give you a small but specific example of how I saw this Co-ordinating service function?" I agreed, of course, and he said: "When I was with the Department of Justice in Seattle, we had Addressograph plates for our use but no Addressograph machine or cutter with which to utilize these plates. The Navy Department in the same building had the Addressograph equipment but no money or allowance to spend on plates. Through the Co-ordinating Service it was possible to have the Addressograph equipment transferred to our office and the Addressograph system was put to work." This of course is a minor example but it shows the detail into which the Federal Co-ordinating Service goes in increasing governmental efficiency and in saving money.

Colonel Roop explained that one of the most important correlating elements in the Co-ordinating Service is the Federal Business Associations. In cities throughout the country, government employees are brought together into groups known as Federal Business Associations. Here the government workers discuss their problems. They are enabled to co-ordinate more effectively all of the activities of the government offices and departments in these various cities. "In addition to specific improvements in physical efficiency and physical economy," Colonel Roop pointed out, "the representatives have the important advantage of an interchange of ideas, experiences and programs which of course enhances every man's value on his particular job."

I am not going to give all of the examples of co-ordinating work that Colonel Roop told me about but I do want to give his general description of other work done by the Federal Co-ordinating Service, which is:

"The matter of studying and recommending the adoption of standardized forms to meet the requirements of the various departments is given constant attention by the Co-ordinating Service. This standardization of forms not only improves the business procedure within the government departments, but serves as a valuable aid to the government in doing business with private industry and enterprise in the procurement of services

and supplies. These forms carry that assurance of uniformity in procedure which is so valuable to business. A manual for area co-ordinators is also prepared for the use of all employees who may have anything to do with a specific task or duty. At the present time there are close to 300 Federal Business Associations in the country with a total membership of approximately 13,000 persons. Each of these associations is working constantly to improve the operating efficiency of the government.

"The Federal Co-ordinating Service works in many major ways. There is a close co-ordination on all government communications so that a definite unified network has been worked out between the Army and Navy, providing cable, radio and telegraph facilities to other government departments. This, of course, has enabled the other departments to avoid the payment of substantial amounts for commercial tolls, while the expense increase for the War and Navy Departments is really minor. Transportation, construction, maintenance and repair activities also are carefully studied and co-ordinated under the direction of the Chief Co-ordinator. The improvements, economy, systemati-

zation and efficiency that have resulted from these co-ordinating activities are of major importance to our government and they deserve the earnest study and appreciation of every business man."

After my interview with Colonel Roop, I asked a number of bankers and business men if they knew anything about the purpose and methods of the co-ordinating activities of the United States government. Only one knew a thing about this work and his idea was rather hazy. Colonel Roop showed me a large volume about four inches thick devoted entirely to a standardization of specifications on materials and commodities used by the government. These specifications already govern such minor items as nuts, bolts and screws. From major co-ordinating activities the Federal Co-ordinating Service is delving into the finest details of production and distribution. The importance of such a process as this needs no interpretation or elaboration.

The Bureau of the Budget with its related budgetary, financial and co-ordinating activities is one of the most fascinating of the government agencies. A more detailed analysis and study of the Bureau than is given in the short space of this article will repay every

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business man high dividends. We talk about red tape in government work. In an interview with the Secretary of War last month a great deal of space was given to the so-called red tape of the War Department, yet when we take the time to study the procedures, methods and standardized programs of the government, we must admit that it is the greatest force in the country today for eliminating waste and red tape. No department is more exemplary of this statement than the Bureau of the Budget directed by one of the country's most methodical and proficient business leaders and thinkers, Colonel J. Clawson Roop.

### as meaningless as "the"

(Continued from page 13)

released, you slyly look down to find out if the fingers have not all been welded into a good-sized mitt. Still another will hang on and on and on . . . until you, in a frantic moment, slip yours out while he is off guard.

The prize hand-shake, however, is the one in which your forearm and hand become the principal characters in an old fashioned pumping scene. They take the part of the pump handle.

Sometimes we instinctively draw back from shaking hands because of the untidy appearance of the man before us. In these cases, we shake hands rather than offend, but with visions of a nice, white bar of soap and a bowl of clean water in the offing. On the other hand (no pun is meant), salesmen have startled us into making the first gesture because of their unusually fine, clean and friendly appearance. These cases are the exceptions, however, and not the rule.

Up to the present, our reactions have all been of the man who sits behind the desk. Fortunately, we have been on the firing line ourselves and can talk as one offender to another. But before we do, we should like to record the views of a few buyers on the subject of hand-shaking. All of them agree that they would rather have the salesman wait until their own hand was offered. But since salesmen do not wait, they have devised ways and means to discourage hand-shaking entirely.

One buyer told us that he did not get up from his chair when a salesman called and that the gap between the chair of the salesman and his own was too wide for any overtures on the part of the salesman.

Another buyer of advertising material usually pulled out his desk drawer when a salesman called and busied both hands with the contents while the salesman made his introduction.

The third buyer we talked to invariably waved the salesman to a chair with a friendly "Sit down, won't you?" before a hand on either side of the desk could be extended. He said that he found this the most courteous way of discouraging hand-shaking, and, at the same time, it plainly told the salesman that he could get on with his talk without an introduction.

These buyers were interested only in products which could be successfully marketed and from which a profit could be drawn. The salesman's approach and the salesman as an individual were incidentals. They resented in varying degrees the attempt to establish superficial friendship which hand-shaking succeeded in doing. They wanted to save this gesture for their friends . . . for their fraternity brothers . . . for their social life. Most of them agreed that hand-shaking was not a part of business and that, where they whole-heartedly indulged in it, the salesman usually played the double role of friend and salesman.

And, as we look back at our own amateurish experiences as a salesman, we visualize the half-hearted and discouraging reception our willing right hand got at almost every call. We see all this now with a mild feeling of nausea. At that time we were an inveterate hand-shaker. We were under the misguided impression that once we could electrify a prospective customer with our manly hand-shake, his confidence would be ours and the sale accordingly made easy. The reverse was true, however, but we laid the blame to other causes . . . and took up the writing business.

The only friendly responses came from men who wanted to visit and looked upon us as an opportunity for a pleasant half-hour or so. But the real live prospect usually clipped our very best hand-shake—the one we reserved for long-lost friends—with a cold and cynical "I'm very busy just now" or "What have you got?"

A hand-shake can express more sympathy or joy than a thousand words. A hand-shake between two honorable gentlemen can bind a bargain or wager. It is used in fraternities and lodges as the one great symbol of brotherly love and understanding. It is seldom used between man and woman upon intro-

duction because of its important part in the marriage ceremony. The hand-shake represents, or should represent, sincere affection of man for man or woman for woman.

But, in the commercial world, the hand-shake and all its meaning should not be sacrificed for a puny commission. Unless the feeling goes deeper than mere thought of personal gain, the hand-shake becomes as shallow and as meaningless as the word "the" when it stands alone.

### an index to the index

(Continued from page 15)

tity and the birth of the index number let us generalize to some extent on the value, the uses and abuses, and the general worth of the whole system.

It is clear that an index of prices will reveal to us, specifically, only what has already transpired. It represents past history. Thus the factors that cause up and down swings have already been working for some time and although we may be able to ascertain from our tables the trend and make comparisons of price levels, we are not able to forecast from them, as the old negro we spoke of earlier wanted to do, what is going to happen or just how this will take place. We can discern trends if we use index numbers continually and carefully but that is a matter of experience. Changes that occur, as the index numbers reveal them, are already under way and their momentum is so considerable that it is hard to alter their path or halt them.

That is why credit and financial administration must be on the alert for what is coming along the business highway before it appears. Then we may be able to flash on the red light in our commercial traffic beacon and halt the sudden-appearing stream before it rolls past in full speed on the strength of the green light signal, which had been working when the stream so quickly appeared in sight from, seemingly, nowhere.

There are numerous factors in the making and determining of an index number. They need not concern us here, mainly because we are limited in space. Professor Irving Fisher has taken 369 pages to discuss the matter in all its phases and found it necessary to attach 150 pages of appendices besides. Here we can gain a preliminary understanding only. But that should

be valid and not merely superficial. If we can understand several of the most common and dependable systems and know something of their origin, their aim, and their worth then the whole question will be infinitely valuable to those of us who cannot take time to become experts on this matter and yet must depend on accurate readings of business indices in determining our pathway and what lies ahead.

Of major importance, excepting the routine correctness of calculation, is the matter of selection. That includes prices, commodities, and periods. If the index system is poorly founded it is not worth using at all for only poor decisions can come from it. Like reproduces like.

The credit and financial executive should have the following points in mind with which to study the system in front of him:

1. Number and kind of commodities included, form of price quotations, and source of quotations.
2. Whether or not weighting has been used or should have been used.
3. The validity of choice as far as the base period is concerned, for on this choice depends whether or not true trends can be estimated.
4. What average, if any, of relative prices should be chosen. Or should actual prices be taken.
5. Distinguish between retail and wholesale commodity indices.

As an aid to the readers of this article CREDIT AND FINANCIAL MANAGEMENT presents a concise report of the leading American Index Numbers which can be relied on as being accurate, sincere, and continually as near to present conditions as is possible under the circumstances.

**Bureau of Labor Statistics**—(wholesale)—Perhaps the best in the country, being a weighted average of actual prices of over 400 items with 1913 as a base and weighting fixed as to the quantities marketed in 1919. Divided into nine commodity groupings. A retail system is also published.

**Federal Reserve Board**—Same methods and weights as above system and same data but different groupings into three kinds—consumers goods, producers goods, and raw materials. Also makes out wholesale lists and index numbers for France, England, Canada, and Japan in these three groups and also as to goods exported, goods imported, and goods produced.

**Fisher's Index**—Published weekly, each Monday, in the press for the week

ending previous Friday at noon. Index number is weighted average of actual prices with 1913 as a base. Weights used are the quantities marketed in 1919 according to census returns. Prices used come from Dun's Review and include over 200 items.

**Annalist's**—Weekly index based on wholesale prices of 25 articles in an assumed family's food budget. Unweighted, using 1890-99 as a base. Good, but limited in value. Sixty-eight per cent of items are manufactured consumer's goods and 32% are raw materials.

**Bradstreet's**—Monthly index based on the total sum of the real prices per pound of almost 100 commodities at the first of each month. No base period nor is there any weighting. Since raw materials are included and often, too, some important items more than once, this is regarded as a good barometer of future trends as well as a clinical thermometer of present conditions and trends.

**Dun's**—Also monthly. A weighted average of actual prices on the first of each month, representing the real cost to a person of a year's supply of certain commodities. No base period but

index is weighted on the average annual per capita consumption. About 300 commodities used. Not quite as susceptible to market changes as Bradstreet's or Bureau of Labor Statistics.

In their use, as in any credit or financial work, it is well to bear in mind the following extract from the tenth annual report of the Federal Reserve Board which states that "No statistical mechanism alone, however carefully contrived, can furnish any adequate guide to credit administration. . . . The credit situation at any particular time is weighted and charged with invisible factors. They are elusive and cannot be fitted into any mechanical formula, but the fact that they are refractory to the methods of the statistical laboratory makes them neither non-existent nor unimportant. They are factors which must always patiently and skillfully be evaluated as best they may, and dealt with in any banking administration that is animated by the desire to secure to the community the results of an efficient credit system. In its ultimate basis credit administration is not a matter of mechanical rules, but is and must be a matter of judgment."

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## Commercial Writing

**BUSINESS LETTERS.** Henry A. Burd and Charles J. Miller. McGraw-Hill Book Co., Inc., N. Y. 1930. 490 pp. \$4.00

From the University of Washington at Seattle, where Dr. Burd is professor and Mr. Miller assistant professor of business administration, comes this workmanlike treatise on the preparation and use of business letters.

Business executives seem not to have fully realized until recently the fact that their correspondence department may do much to make or break the success of the enterprise. But they now see quite clearly the importance of working on this department until all correspondence is handled easily, effectively and economically. This book should help on all three counts.

The authors regard the writing of a good business letter as not primarily an expression of the writer's personality but rather as an endeavor to solve a specific business problem by influencing another—the reader—to think and act as the writer wishes him to do. In order to help the writer toward this end, the authors have analyzed many types of business letters and formulated principles to be followed out in correspondence practice.

The introductory chapters deal with the general requirements of a good business letter; letter forms; psychology; and characteristics of good opening and closing sentences. The authors then discuss form letters; introductions, references and recommendations; orders; acknowledgements; inquiries and requests; complaints; adjustments; credit and collection correspondence; sales letters; mailing lists; and letters of application.

In the credit and collection section Dr. Burd and Mr. Miller stress the duty of the credit manager to protect the profits of his concern. Answering the charge that credit managers as a class are "suspicious of all new accounts" and fail to co-operate with the other departments of their own organization, the authors say that while these criticisms may have been valid at one time they do not apply to the credit department of the progressive business of today. The modern credit manager "is not a pessimist, not a bugbear to customers, does not oppose the expansion of business. On the contrary, he gives every assistance to the sales department and has become a vital factor in educating customers to better business methods."

The fact that education is a process, the authors suggest, is nowhere more clearly evident than in the work of the credit manager. "An account may be good at the time credit is granted but if neglected may degenerate into slow pay or even poor pay. The credit man must be constantly

## THIS MONTH'S BUSINESS BOOK

**THE ECONOMICS OF AMERICAN BUSINESS.** Paul F. Gemmill. Harper & Brothers, N. Y. 1930. 489 pp. \$4.00.

In this book Professor Gemmill of the Wharton School, University of Pennsylvania, presents the fundamentals of economic theory and shows how they are applied in the modern business organization.

The three main sections deal respectively with production, exchange and distribution. In the first, Dr. Gemmill discusses human wants and their fulfillment; fundamental economic concepts; premises of the present economic order; the nature of production and the arrangement of the production factors; the organization of modern business and the size of the business unit; specialization in economic life; and aids to economic productivity.

In Part II the author deals with the process of exchange; the place of credit in business; the principles and purchasing power of money; cyclical changes; prices; international trade and the settlement of international obligations; and the handling of business risks. Part III (distribution) covers rents, wages, interest and profits. At the end of the book there are six pages of references for further reading and an adequate Index.

Chapter XII, "The Place of Credit in Business," stresses bank credit rather than investment, commercial or consumer credit, and contains a well-balanced section on the Federal Reserve and credit control. It is perhaps too early, says Dr. Gemmill, to determine the degree to which the Federal Reserve System has managed to live up to the hopes of its originators. But experience of fifteen years, some of which were particularly trying years, seems to indicate that the system, up to the present time, has worked quite as well as could be expected.

There can be no doubt, the author says, that the system has provided both elasticity and security. It deserves great credit for having apparently eliminated financial panics, which, prior to 1914, were not uncommon. Some criticism of the system has developed, but it comes chiefly from representatives of the agricultural interests, who contend that the farmers have not always been given credit at fair rates, and from those who regard the Federal Reserve Board as the "tool of Wall Street." But that the Federal Reserve System has brought substantial gains, even these critics do not deny.

On account of its orderly division and arrangement of material and its straightforward simple style, this book deserves a welcome from business executives as well as from students of commerce and administration. Recent developments in our economic life have brought many business men to the point of wondering whether a knowledge of economic theory might not, after all, be of some practical value.

alert to note symptoms of decline and tendencies toward laxness, and be ready to counteract them by reselling the customer on the original credit terms or on the necessity of maintaining his credit standing."

To this the authors add: "It is likewise true that a poor account may not always remain undesirable. The credit man must know general business conditions and be especially well posted concerning his own industry. He must not only be ready to take advantage of improved conditions among his customers and prospects, but he should contribute to that improvement. By helping to solve the financial problems of a customer he may make of him an improved credit risk. Other customers may by proper and continued educational efforts be raised from poor pay or slow pay into the discounting class." Thank you, Dr. Burd and Mr. Miller, for this boost for the Business Service idea.

## The Textile Who's Who

**DAVISON'S TEXTILE BLUE BOOK.** Davison Publishing Co., N. Y. 1930. 1900 pp. \$7.50 ("Handy Edition" \$5.00).

This is the sixty-fifth year for this famous old textile handbook. In it, more than 10,000 mill reports have been carefully revised, and thousands of changes in mill names, officers, goods made, equipment, selling agents and other details have been made. The various dealers' lists, covering more than 20,000 firms, have all been brought up to date.

Among the special features are statistics, arranged by states, showing the number of spindles, looms, cards and combs in the mills; a list of textile associations; an index of cotton merchants; a list of cotton warehouses with insurance ratings; and a personal revision of foreign cotton firms' reports.

The section showing all mills with dye houses is invaluable to chemical and dyestuff concerns. There is also a classified directory of dyers and finishers. Textile maps, revised to date, show all towns where there are textile plants, dyeing, bleaching or finishing works.

Consolidated with the Blue Book in Dockham's American Report and Directory, making 22 directories in one volume, as follows: cotton mills; woolen and worsted mills; silk mills; knitting mills; jute, linen and flax mills; Canadian mills; Mexican mills; dyers and finishers; mills with dye houses; commission merchants; converters; yarn dealers; raw, thrown and rayon silk mills; cotton dealers (domestic and foreign); cotton warehouses; wool dealers; lintier dealers; waste dealers and



manufacturers; wholesale rag and remnant dealers; textile supplies; new textile mills; and classified directory of mills.

The classification in this thorough-going manual will obviously be of great value to thousands of users. To firms using any cotton fabric or other mill products they will give sources of supply and competitive prices. To concerns selling machinery, raw materials, yarns, supplies or certain kinds of raw cotton, these classifications dividing mills into separate lists are very valuable. For example, raw cotton concerns know that print cloth manufacturers use one kind of cotton and tire fabric mills use another, and their sales campaigns can be set up accordingly.

The Blue Book is issued in two editions. The office size is a volume of 1900 large pages, with Permatex cloth and gold binding. It is printed on fine paper and contains all of the features mentioned above.

The "Handy Edition" (also Permatex) is printed on 1700 thin pages, and has all of the features described above except the classified directory of mills and the textile buyers' guide.

## New England and why

(Continued from page 17)

for its important pulp and paper industries, and for the wood-working industries which were among the first manufactures established. Forest protection and maintenance are given more attention in New England than in some other forest areas of the country. Fire losses are relatively small, and intelligent policies of reforestation prevail increasingly in the six states. Much of the forest land is in farm wood lots, which contribute an important share of the farmer's income.

The characteristics which have contributed to New England's success as a manufacturing center automatically render it unfit for large-scale agricultural production. However, the importance of New England agriculture should not be underestimated. In 1925 the income derived from farm products was greater than that from any single line of manufacture except cotton goods. The chief concern of the New England farmer is to provide food for the consumer market in the near-by cities, and in endeavoring to meet the demands of that market he has gone in for specialization and with highly profitable results. Maine potatoes, Vermont maple sugar and syrup, Cape Cod cranberries are nationally known. The greatest single source of income is dairying, but market gardening and poultry raising also yield important amounts. The New England Council, all-New England development organization, has introduced a Farm Marketing Program designed to encourage New England farmers to market their produce on a quality basis and so meet outside competition for the home market. The success of the plan is shown

by the fact that more and more farmers each year sell their products under the New England Quality Label.

The chief contribution made by New England to the nation's food supply, however, is made by the fishing industry, which represents 20 per cent. of the value of fisheries of the entire country, and a larger share than is contributed by any other single section except the Pacific Coast. New England is the principal domestic source for cod, swordfish, mackerel, haddock, lobster and other important sea foods. Harbors and favorable waters for fishing along the shore, numerous "banks" for deep-sea fishing within two hundred miles of the coast, and suitable conditions for shellfish in the Cape Cod district and south to Long Island Sound provide a great variety of valuable sea food products. In addition to supplying so much of the nation's fresh fish, New England contributes nearly one-fourth of the national output of canned and cured fish. It is characteristic of the region that it finds use in manufacture for its native raw materials.

New England today is more than ever fitted to continue its career as an industrial producer. The natural features which originally determined its destiny are unaltered, and are supplemented by the accumulated capital of more than a century. Its wide diversification of industries is an economic safeguard. If with the qualities of industrial maturity, New England shared some of the defects, these have been recognized and are being overcome. Becoming conscious of itself as an economic unit, New England business has organized the New England Council, the object of which is to promote the economic progress of the section. It is significant that numerous other areas are now developing regional promotional organizations along New England Council lines.

## Taxumland

(Continued from page 19)

confidence they still had and things grew worse and worse, and looked even worse than they really were.

And so it came to pass that the men of Taxumland came together to see what could be done about it.

And the Farmer came forward and said to the Lawmaker: "You have loaned me money, you have helped me market my crops, you have even bought my products when you thought the

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price was not great enough, but to no avail. We tillers of the soil are starving. You must feed us."

But the Great Banker said "No." It was paternalistic and besides it would increase taxes, so that capital would be still further discouraged and recovery postponed.

And then the Laborer said: "We should feed the Farmer. But I too am hungry and hard pressed. If you feed him you must feed me also."

But the Great Banker said "No." It was paternalistic and besides it would increase taxes.

And so in desperation those assembled asked the Great Banker what he would do to bring prosperity to the Land once again.

And the Great Banker said: "The people of Bellicosland and Imperialand are pressed because they owe us so much money on account of the late war. Now the Farmer and the Laborer and the Capitalist can not sell their products to these people for this reason; neither can they afford to give them away. So we must tax the Farmer, the Laborer, and the Capitalist and from the taxes so collected we will pay the debts of Bellicosland and Imperialand; I will then lend them more money, some of which they may spend in buying the products of the Farmer, the Laborer and the Capitalist and everything will be lovely."

A Philosopher who chanced to be at this meeting by mistake, said that the Farmer, the Laborer and the Capitalist might much better give their products away without all this red tape, but of course they paid no attention to him.

But since in Taxumland the Lawmakers always compromised, they agreed as follows: They would tax the Laborer to buy the Farmer's products to feed the Farmer; they would tax the Farmer to buy the Laborer's products to clothe the Laborer; they would tax the Capitalist, the Farmer and the Laborer to buy all of their products to give to the people of Imperialand and the great country of Taxumland would wax exceedingly prosperous once again.

Moral: There is a Santa Claus.

## shekels or shackles?

(Continued from page 21)

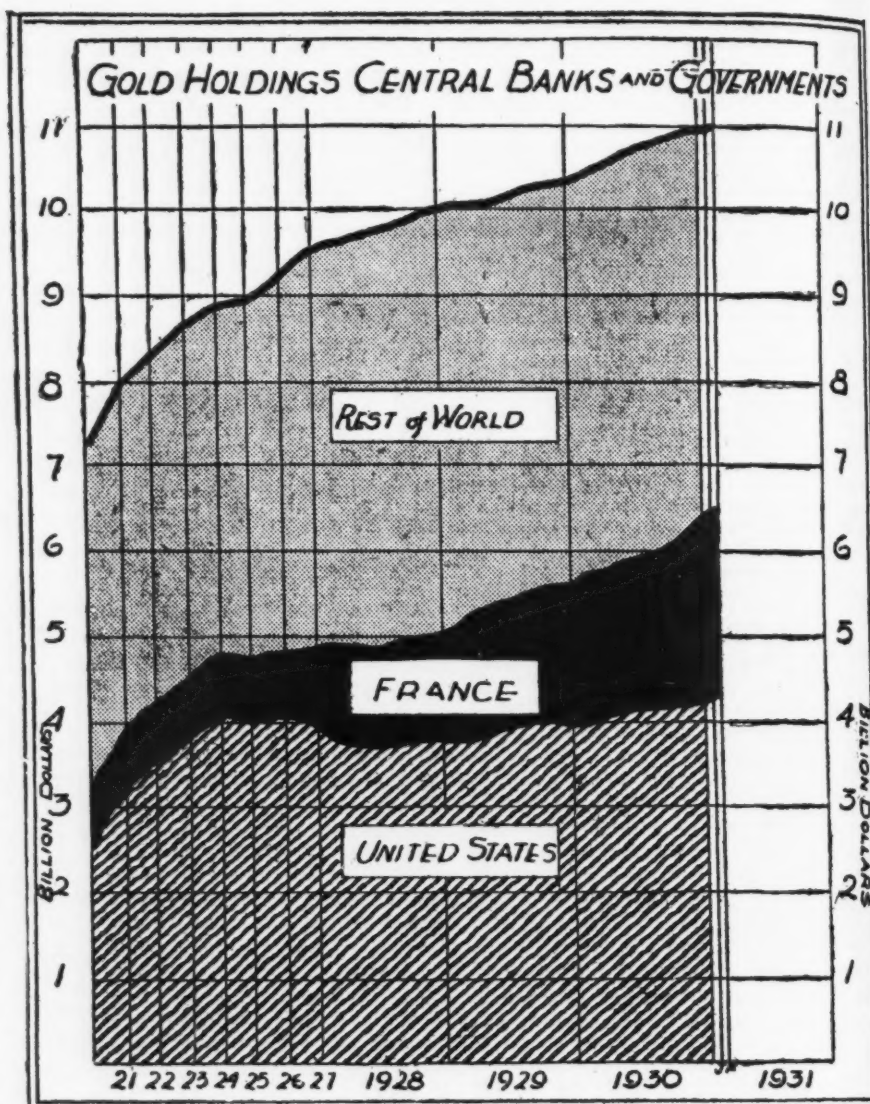
question shrouded in this twilight of mystery so it is not difficult to understand why this whole problem presents itself as a challenge to practical thinking men.

This paper will not be concerned with monetary theories, systems and developments, nor will it treat such subjects as monometallism and bimetallism unless they are specifically related to the question of gold's relationship to credit.

Until fairly recent times, one of the chief difficulties in the gold situation was the confusion between gold as a symbol of measurement and as a thing of value in itself. The brilliance and attractiveness of gold has always made it adaptable for ornamental and decorative purposes, so in the first rude groping of the people toward the money device there was naturally a transition from gold as a decorative symbol to gold as a symbol of value. In ancient times, the possession of gold and silver ornaments gave distinction and social prestige to the owner, even before gold was used as a medium of exchange. It is necessary to understand this transitional background before the evolution of gold into its present state of use can be understood. Up to the sixth century, B. C., no gold was coined by the Greek cities as they adhered strictly to silver. There are records which indicate that gold may have been used by weight, however, for the settlement of large transactions or for external trade.

Without tracing the use and effects of the Greeks' use of gold as a monetary standard, we pass along the bridge of time to the Roman Empire. The first metal money used by Rome was copper. In 269 B. C. Rome adopted a double standard by introducing silver. Gold was not used for commercial purposes until the growth and expansion of the Roman Dominion became quite pronounced. As far as records indicate, the first gold piece was coined in Rome about 207 B. C.

Copper was then reduced to merely a token of coinage. It is difficult to make any kind of an economic appraisal of the importance of gold to values and credit during this period of the Roman Empire, because the ancients took the view that prices could be controlled by legislative action, which of course, brought about the condition of controlling the value of money by legislation.



Compiled by Joseph Stagg Lawrence. Courtesy New York Herald-Tribune.

Was gold responsible for the fall of the Roman Empire? One school will contend that the fall of the Roman Empire was due to moral decadence, another that no civilization of that period could have withstood the thundering avalanches of barbaric hordes. Another school contends something else and so on down the avenue of contentions about the fall of the Roman Empire. Let us forget all of these contentions and analyze from an economic viewpoint only the effect that gold may have had on the fall of the Roman Empire.

Rome's problem was largely one of bimetallism. The ratio between the metals was a matter of unending difficulty to the Roman thinkers, as it was to those of the mediaeval and Renaissance periods. A careful historical analysis indicates that the Roman thinkers were not capable of coping with the vast monetary problems engendered by bimetallism. We find that the moneyed

people or capitalists of that period developed a persistent habit of hoarding the monetary metals. Thus, accumulated wealth was hoarded rather than invested and a commercial decay resulted.

Sir Archibald Alison has put forward the sweeping generalization that the fall of Rome was not the result of social and moral mistakes but the result of a heavy decline in the production of the gold and silver mines of Greece and Rome. He said: "The two greatest events in the history of mankind have been directly brought about by a successive contraction and expansion of the circulating medium." He stated further: "The fall of the Roman Empire, so long ascribed in ignorance to slavery, heathenism, and moral corruption, was in reality brought about by a decline in the silver and gold mines of Spain and Greece . . . As if Providence had intended to reveal in the clearest possible manner the influence of this mighty



agent of human affairs, the resurrection of mankind from the ruin which these causes had produced was owing to the directly opposite set of agencies being put into operation."

Norman Angell in his "Story of Money" quotes a contradictory opinion by Dr. Lyman J. Gage, which says: "As a general proposition the quantity of gold is not a matter of greatest importance, for, given a certain quantity, be that quantity great or small, it will in the long run tend to relate or establish prices of things and wages of labor. Multiplying the prices of all commodities, labor, and services by ten would not make any one richer. Dividing prices would not make any one poorer, since once established, the exchange ratios of commodities and the power of labor to purchase goods would not therefore be relatively changed. It is true that a sudden change in prices, either in one direction or the other, would create incidental hardships, because the change in prices could not in the nature of things be uniform or simultaneous, and time contracts would be radically affected."

Again if we try to answer the question as to whether or not gold was one of the chief contributing factors to the decline and fall of the Roman Empire we find ourselves once more in the twilight of obscurity. Books have been written to both prove and refute the answer to this question so in a treatise of this kind it would be fundamentally wrong to make any endeavor to prove a subject that economic scholars have been arguing about for several centuries.

The viewpoint that the growth and development of civilization has depended upon the discovery and utilization of gold or that the retrogression and decline of civilization has been the direct result of some great gold catastrophe is indeed a bitter viewpoint for modern man to accept. That the spiritual awakening of man, deepening and broadening throughout the centuries, triumphing ever over constant reverses is no more than the reflected kindling and waning glow of the world's supply of gold above ground at the moment is almost a denial of man's spirituality. It almost places man in a position of being as helpless in face of the idiosyncrasies of gold production and gold movements, as before some great natural cataclysm like an earthquake or a flood.

So when a well known banker and authority on the economic significance of gold points to the maintenance of the common gold standard as the most

important co-operative undertaking in the world, we begin to wonder whether or not we are really imprisoned by shackles of gold. We ask ourselves the question, "Just where is the middle ground viewpoint?" Such an absurd question as, "If all of the gold should be suddenly destroyed would the consequences be so serious as to virtually undermine our civilization?" can easily be refuted when we recall that in times of war nations manipulate their currency system entirely independent of gold.

Should there be a catastrophic shortage of gold it would, of course, force us to initiate very definite measures for combating this situation just as a nation may have to do, and as many have done, in time of war. If we can meet a war exigency for stringent measures, there is no reason why an economic exigency could not be met as well! However, it would require the best thinking of the best minds to bring about a readjustment in our gold and credit machinery. The point that should be made is that if all the gold were suddenly destroyed, the consequences would not be serious enough to undermine our civilization, but we would be faced with the absolute and urgent necessity of adapting ourselves to another monetary standard and basis.

There is no danger that such a catastrophe will happen, but it is only by employing examples of extremes that we can prove a contention of this kind. The question naturally arises, "Is the world really faced with a serious gold shortage?"

At a recent meeting held in New York by the American Institute of Mining and Metallurgical Engineers, predictions forecasted an acute shortage by 1945. The future of gold production is an uncertain element, so a specific "yes" or "no" answer cannot be given to this question. It is much more difficult to give a geologic opinion of the potential gold supply remaining in the earth than it is to make an estimate of such metals as copper and tin or of coal. For the last five years, about \$400,000,000 worth of gold has been produced annually, and of this over half has been furnished by the African Rand mines. There is considerable pessimism about the future of extraction from the Rand mines as well as in regard to gold mining activities throughout the world.

Another very important factor enters here into our appraisal of the future of gold production. The mining of gold is as much a business proposition as the mining of copper or coal. In the



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ROCHESTER, N. Y. .... The Seneca  
NIAGARA FALLS, N. Y. .... The Niagara  
ERIE, PA. .... The Lawrence  
AKRON, OHIO. .... The Portage  
FLINT, MICH. .... The Durant  
KANSAS CITY, MO. .... The President  
TUCSON, ARIZ. .... El Conquistador  
SAN FRANCISCO, CAL. .... The St. Francis  
SHREVEPORT, LA. .... The Washington-Youree  
NEW ORLEANS, LA. .... The Roosevelt  
NEW ORLEANS, LA. .... The Bienville  
TORONTO, ONT. .... The King Edward  
NIAGARA FALLS, ONT. .... The Clifton  
WINDSOR, ONT. .... The Prince Edward  
KINGSTON, JAMAICA, B. W. I. The Constant Spring





mining of gold, just as in agriculture, differences in cost are governed by differences in national resources. Some gold ores are so rich that there is a yield of hundreds and even thousands of dollars to a ton, while in another case there may be a yield of only two or three dollars to a ton. Many people don't realize that a man can go broke mining gold just as he can in mining coal. There is no sales problem in the mining of gold. The price of gold is fixed by law and is not affected by the laws of Supply and Demand. The profits made in gold mining are controlled solely by the cost of production. It can easily cost more money to mine gold than the gold is worth. Gold that is produced at an expense greater than the mint price of gold, which is \$20.67 an ounce, is produced at a loss. There is also a great deal of margin taken up in the profits that are made because of losses sustained in prospecting and developing unprofitable and unproductive mines.

In surveying the future of the world's gold supply and the production which must make this supply available for economic use, all of these factors must be considered. We never know, of course, when another great discovery will be made on the face of the earth like the discovery of '49 in California, and of '98 in the Yukon. From any angle that this great problem is considered, we immediately see that it is characterized by uncertainties and probabilities.

Gold is present in sea water. An assay of sea water from various sources indicates that its presence varies from five to two hundred sixty-seven parts of gold to ten parts of water. On this basis it has been estimated that the minimum quantity of gold in sea water represents an aggregate of around ten billion tons. Figure out for yourself the value of gold in the water of our seas and oceans at the rate of \$20.67 an ounce. There have been many processes, most of them fraudulent, advanced for extracting from sea water this vast wealth of gold, but none of them has proved commercially possible. At the present time the probability of extracting gold from sea water seems about as remote as the search of the alchemist in the middle ages for the major process of transmuting base metals into gold.

What will be the future of the gold supply, of gold production, and of the adjustments that may have to be made to co-ordinate the new changes that may have to be instituted in the next



# ANSWERS TO CREDIT QUESTIONS

Conducted by Walter C. Foster

## Guarantees

**Q.** Is the personal guarantee of a president of a corporation, guaranteeing the debts of the same corporation, of any value?

**A.** There is no reason why an officer of a corporation or any other individual may not enter into a valid contract guaranteeing the debts of the corporation. Whether or not the guarantee is of any value depends upon the responsibility of the individual who executes it.

## Status of Drafts in Process of Collection

**Q.** In what states does the law provide that drafts in the process of collection are not part of the funds of a failing bank?

**A.** In the 1931 edition of the Credit Manual of Commercial Laws, the following is found: Indiana, Kentucky, Maryland, Missouri, Nebraska, New Jersey, New Mexico, New York, South Carolina, Washington and Wisconsin: In these states the law provides that, where a drawee or payor bank shall be closed, or shall fail after having charged an instrument to the account of the maker or drawer, (there being at such time a deposit to the credit of the maker or drawer sufficient to pay the item so charged to his account), the assets of the defunct bank shall be impressed with a trust in favor of the owner or owners of the instrument for the amount thereof, and such owner shall be entitled to a preferred claim upon such assets, irrespective of whether the fund representing such item or items can be traced or identified as part of such assets, or has been intermingled with or converted into other assets of such failed bank. Essentially the same rule has been adopted with respect to preferential claims against the assets of an agent collecting bank other than the drawee or payor.

## Rent Claims in Bankruptcy

**Q.** In New Jersey and Pennsylvania is rent a preferred claim in bankrupt estates?

**A.** Under the laws of Pennsylvania and New Jersey, the landlord of a bankrupt tenant has a lien on the assets for future rent. In New Jersey the lien is for a period of six months' rent, and in Pennsylvania for one year's rent. The Bankruptcy Law recognizes liens created by state law, including landlords' liens.

decade? We can not say. This brief survey of the background of the history and role of gold in the world's economic drama from the bronze age down to the present time, indicates why practical thinking business men get lost in the maze and labyrinth of gold problem

## As to Legal Advice

**THE National Association of Credit Men** supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the *Credit Monthly*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

## Tenancy by Entirety

**Q.** To what extent is property held jointly in the names of husband and wife tangible for individual debts?

**A.** At common law a conveyance by a third person to a husband and wife created a tenancy by entirety. Such an estate was founded upon the ancient principle of the common law which regarded the husband and wife as one person. *Matter of Klatz* 216 N. Y. 83. Such a tenancy is well recognized in the jurisprudence of our States, including New York and Pennsylvania. While a tenancy by entirety resembles a joint tenancy in that survivorship attaches to both, it is not a joint tenancy in substance or form, as it involves a more intimate union of ownership than joint tenancy or any other estate. Both husband and wife in a tenancy by entirety are seized of all of the property and not of an undivided one-half part thereof. The result is that neither the interest of the husband nor the wife can be sold for the satisfaction of the debts of either until the termination of the tenancy by the death of one or the other.

The husband's interest becomes available for payment of his debts only after the death of the wife and vice versa. This union of tenancy exists so long as the marriage continues, inasmuch as it is based upon that relationship. If the parties are divorced, they become tenants in common and the property can be partitioned. *Perrin v. Harrington*, 146 A. D. 292; *Melchers vs. Bertolido*, 118 Misc. 196. There is no way to reach the interest of either spouse during the survivorship of the other and this form of tenancy provides an almost perfect protection against payment of one's obligations.

intricacies.

The article in the next issue will definitely describe the relationship of gold to credit and point out the simple, fundamental facts in the gold situation, with which every business man should be familiar.

## latin-american survey

(Continued from page 23)

indications are that the bottom has been reached in most of the countries, particularly those which are not severely affected by exchange difficulties.

For the benefit of those who may not have a record of the basis on which these surveys have been made, it may be explained that the Survey of Credit Conditions is based on the reports of "good", "fair", "poor", worked into percentage figures of all those reporting, and from these percentages into an index figure, as used in the accompanying chart. The classifications are of necessity more or less arbitrary, but are based on the following:

The index of 250 or better covers a percentage of not less than 60 percent good, 40 percent fair, and is classified as "good".

The index of from 250 to 225 is classified as "fairly good", with the lowest possible percentage of 25 percent good, 75 percent fair.

The index figure of from 225 to 200, with a lowest possible percentage of 100 percent fair is classified as "fair".

The index of from 200 to 175 is classified as "poor", with a low percentage of 75 percent fair, 25 percent poor.

Below this index, the classification is "very poor".

The mean of the "fair" position has been taken as the base for graphical purposes to get an easier comparison.

In the chart on Collection Conditions, in working out the index figure, on the basis of those reporting either "prompt" or "fairly prompt" at the time of the survey, the mean of 50 percent has been taken for graphical work.

## filing away overhead

(Continued from page 25)

For ready reference, an ordinary four drawer file should contain about 200 divisions, that is, 50 to each drawer. Forty, or at most fifty, letters or other papers, is a sufficient load for a single folder. Beyond this amount confusion is likely to occur. Transfer, of course, should be done regularly and automatically, for bulky files are costly files. Every bit of deadwood in your active files costs you money. It is also advisable to have definite periods at which old records are destroyed. When a record has lost its value, why pay rent for keeping it?

Assuming that you have adopted a system of filing which will meet your

needs, what else is there to the matter except buying some cabinets? There are several angles which it is profitable to consider. First of all, how much equipment is needed? That depends on how many papers of a given kind are received in a month and how many carbon copies of outgoing correspondence will accumulate in that time. An estimate of this volume, multiplied by the length of time active records are kept without transfer, will give you the filing capacity that you need.

Shall centralized or de-centralized filing be adopted? This depends on your

physical layout, the number of individuals or departments referring to given records and the number of times in a day reference is made to specific records. Probably there is no 100% physically centralized file department. There can, however, be centralized supervision even if some departmental files are maintained. It might be found more economical to have a filing supervisor who was responsible for all filing, wherever done, than to permit each department to take full charge of its own records.

Plans should always be made to take

(Continued on page 49)

# A Falling Building May Wreck Others

Similarly, the FAILURE of one concern frequently drags into bankruptcy several others. It is impossible to forecast such events. But you can safeguard yourself against them, with

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Right now, some of your best customers may be on the verge of failure. These are really hazardous times. Play safe—don't gamble with your credit accounts. Protect them—get the worry of them off your mind—with one of our policies, written to fit your exact requirements. Furthermore, Credit Managers, you benefit by our many Service Features. Get the full details.

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## Collection Folders

Here are two more in the series of six collection folders sent out by the A. M. Davis Company, the first two of

which were reproduced last month.

These are four-page folders, 3½ inches x 5 inches. The third page of each folder which carries the collection

reminder is also reproduced to show how well the tone of the snappy little drawings on the covers of the folders is carried out.



Send that **CHECK**

to cover the balance

of \_\_\_\_\_

open in your account

**THANKS,**

The A. M. DAVIS CO.



You sent that

**CHECK**

In settlement of

**Your Account**

The A. M. DAVIS CO.

## Return Receipts for Domestic and Insured Mail

"Return receipts for domestic registered and insured mail—increased fee when requested after mailing—separate additional fee when requested to show address where mail is delivered."

What a story of effort, intelligently directed, lies behind those cryptic words published in the March 18, 1931, issue of a daily publication of Uncle Sam, the Postal Bulletin.

Specifically, the postal regulations have been amended by an order of the Postmaster General, No. 876, dated March 16, 1931, and it is in those quoted words in display type that Mr. Brown calls attention to that fact. If you are interested in knowing where your registered mail goes—and what credit man is not—as well as to whom, go to your postmaster and tell him that you want the return receipt with the address as well as the signature. This special service costs 23 cents over and above the initial registration fee and postage of 17 cents. The postmaster will mark the letter "return receipt requested showing address where delivered"; and when you get the receipt it will contain the address as well as the signature. When you get this service you will then have your mailing list corrected and lost motion in the future will be saved to both yourself and to the Post Office Department.

Most credit men know that this amendment to the postal regulations results from the passage of H. R. 8649 originally introduced on January 15, 1930, in the House of Representatives by Representative Clyde Kelly of Pittsburgh and amended at the suggestion of

CREDIT AND FINANCIAL MANAGEMENT



the National Retail Credit Association to provide that at the option of the sender the return address as well as the signature shall be included on receipts for registered mail matter. The bill was passed by the House December 10th, 1930, favorably reported by the Senate Post Office Committee of which Senator Phipps was Chairman and C. Brooks Fry, secretary, on December 18, 1930, and passed by the Senate without change from the House bill, thereby making a conference unnecessary, late in the evening of January 26, 1931. The President signed the bill on January 31, 1931, and completed the story.

It is a long story though, a story running back to 1915 or thereabouts as the writer found when he rummaged through dust covered files in the attic of the Capitol on a hot summer day in 1929. Even in 1915 retailers of Minnesota felt that they needed the return address as well as the signature in connection with registered mail and at their request Senator Nelson and Representative Smith of that State introduced bills to bring about the change. It will be remembered that since its creation and organization a century or more ago the Post Office Department has uniformly refused to furnish addresses of recipients of registered or other mail; the only exception being that mailing lists of large users of mail have been corrected from time to time. Of course, as to registered mail matter it has always been possible to obtain the signature of the recipient upon the return receipt when that receipt has been requested but never the address.

In line with this policy opposition to the Nelson and Smith bills developed from postal sources and even though business men made efforts through subsequent years in ever increasing pleas to the Post Office Department nothing of a tangible nature was accomplished until the introduction of H.R. 8649 and its passage and approval by the President. It is true that this amendment has for many years been desired by credit grantors but it is believed by those who have had charge of the movement that by degrees it will have been found useful to many lines of business activity other than the credit department. As a matter of fact even before the postal regulations were amended as outlined, the Post Office Department had received a request to use the service by a manufacturer of paper containers who could see where the service would be useful to him.

America today is an America on wheels and it is essential to know where

your customers are when you send them valuable merchandise and to know also that the particular "John Smith" to whom you sent the merchandise is your "John Smith" and not some other one. This legislation will accomplish just that and will furnish you with a start for an "immediate investigation" when your "John Smith" tells you that some other "John Smith" got the merchandise.

R. PRESTON SHEALEY,  
*Washington Counsel,  
National Retail Credit Assn.*

## filing away overhead

(Continued from page 47)

care of any need for future expansion of the filing department. Generally it is advisable to build vertically, with five drawer files, rather than use greater floor area at present day rentals for modern office space. Records constantly used for publicity or other purposes (such as, for instance, pamphlets given to customers) may often be kept in counter height files at the point of use. The files, in this case, serve the additional functions of a counter over which business may be transacted and a partition which keeps unauthorized persons from wandering into an office.

As far as practical, files should be located as near as possible to the departments most concerned with the records. A central filing department should be placed where traffic to and from all departments is reduced to a minimum. Otherwise conveyance time may consume the speed gained in finding records.

Last, but not least, it seems an unwise economy not to use the best equipment for housing your records. The several reliable manufacturers in this field produce equipment that is not only sturdy and capable of withstanding long and hard usage, but possesses, in addition, many minor details which are a distinct aid to the efficient working of your filing department. Drawers that slide in and out easily; roomy capacity; quietness of operation; enduring finish—these are a few points worth thinking about. When management considers filing equipment in terms of long usefulness, it finds that "cheap" cabinets do not pay. To sum up, plan the filing and finding of records so that the work can be put on a routine, standardized production basis. Plans, plus carry-through equal reduced personnel, saved space, time and money earned—in fil-

## Just a Memory



IT'S just as risky for credit men to trust to memory, as it is for them to trust to signatures and records that time has faded or which have been eradicated or altered.

Preserve all credit records—all the usual and unusual writing of today, for tomorrow, by using Higgins' Eternal Black Writing Ink—permanent as the pyramids—proof against age, air, heat, moisture, sunshine and chemical eradicators!

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ing, as in every other department of business.

No consideration of record maintenance would be complete without mention of the visible principle whereby vital facts are actually kept at executive finger tips. Personnel records, sales statistics, credit authorization systems, collection data—these are but a few of the functions adequately performed by visible records. Intelligently used, visible record maintenance has expedited previously difficult tasks and has saved thousands of dollars for business firms. The question is sometimes asked, "what records should be kept in visible form?" The best general answer is that any important record to which frequent reference is made and from which information is wanted speedily can be profitably kept in this way. When facts are wanted immediately for instant decisions, a visible record will be found indispensable.

Credit authorization is a case in point. I. Miller and Sons, Inc., formerly kept a separate credit file at each one of their five New York stores. Some 58,000 accounts, active and inactive, were recorded. According to Mr. Joseph A. McDonnell, Director of Accounts, credit authorization took from three to

twenty minutes under ordinary circumstances. Local files of bad accounts were maintained at each store and it sometimes required as much as two and a half hours to verify the credit of a dubious account through calling all the stores.

There was, as Mr. McDonnell pointed out, practically no control. In this instance, three things were necessary. First a centralization of all credit data. Second, the maintenance of that data in immediately accessible form. Third, a means of direct communication with all five stores. The last need was met by telephone engineers who installed a desk switchboard with direct wires from each store to the central credit department.

The record problem was solved by a flat type of visible file. The 58,000 records were consolidated into 19,000 active accounts on the same number of cards. There are two groups of accounts, "regular" and "limited." Regular accounts may purchase up to the general limit established for all stores. Specified credit limits govern the other accounts. A red tab, operating on a sliding scale, shows the credit limit for the given month. A green signal indicates special instructions on the reverse of the card. A black dot shows a closed or declined account. A blue signal indicates a suspended account, usually for collection. A single glance at any account card gives the full status of that account. Because of this two credit authorizers handle approximately 657 charges daily between the hours of 12 and 5. Authorization regularly averages 20 seconds.

The collection department also uses these cards in its work and, through the immediate availability of all facts, collections have been greatly speeded up. The credit column of the card has an upper and lower section. The top line indicates returned merchandise, the lower line cash. A letter K stamped on a card shows a customer's complaint. Cash is posted on customer's cards every morning before it is entered in the books. This is an immediate check to stop collection letters. Under the old system, a customer might be credited in one store but not on all records. A collection letter might go out even after an account had been settled. This has been entirely eliminated.

Time, money, executive effort have been saved. Collections have been speeded up. Credit risks have been reduced. Space has been saved. Customer satisfaction and good will have been created. There is perfect control. These

summarize some of the benefits of visible record maintenance in this instance. And it is by no means an isolated case.

It would require a book to tabulate all of the uses for which visible record maintenance has proven profitable. Since the high cost of selling (often traceable to faulty control) is an ever present business burden, it may be interesting to note that visible indexing, by insuring more adequate control and by helping reduce office overhead, tends to cut down indirect selling costs.

There are infinite variations of system, dependent upon individual requirements. B. T. Babbitt, Inc., manufacturers of cleaning powders and allied products, uses a book style of visible index to keep a sales promotion record of 13,000 accounts. The system shows, at a glance, just which accounts have purchased during a current year. If a blue card appears for an account it means that no purchases have been made during the past twelve months. Each card gives the yearly sales volume of each product for a period of twelve years. Yet no system of signals is necessary other than the use of the blue card to indicate an inactive account. By thus reducing system to its simplest aspects the company effects a considerable saving in the purchase of supplies. Posting is done by hand, yet one girl is able to take care of all the work. Previously, when records were filed in ordinary files, two or more girls were required. To facilitate the flow of work dates are fixed for the posting of specific territories. Each day includes one heavy territory and a balance of lighter ones so that there is never a peak day. A chart is kept beside the files, showing the days on which each territory is posted. Should data be desired on the 10th for an account not posted until the 15th, the original records for the current month are filed nearby and can be easily consulted by anyone.

To tie up with advertising efforts, a small card is automatically made out, giving customer's name and address, whenever a new account is entered. These smaller cards are filed by States and enable the advertising department to send out routine follow-ups and promotion material without reference to the main file. Inactive accounts are reported directly to the men in the field who are expected to furnish full data thereon. In this way inactive accounts are not permitted to remain inactive for long periods through oversight. Closer control is maintained and more complete records are kept with less time and

effort than was possible without the visible system.

Every executive of a company with numerous dealer outlets in a highly competitive field is familiar with the "extra service" problem. Accurate facts, quickly available, are necessary for wise and prompt decisions. The J. M. Horton Ice Cream Company experienced the same difficulty in this respect as is common to all ice cream manufacturers. Volume demands distribution. Favorably located dealers, relying upon customer's indifference to brands, if not readily accessible, request "extra service" in the way of special signs, menus, etc.

The sales representative may, in his desire to retain a good account or obtain a new one, accede to the request and write out an order on the Advertising Department for the desired merchandising helps. If the request is a minor one, representing a small expenditure, it is put through without question. But when major expenditures are requested there must be accurate knowledge of previous "special" advertising costs. This means reference to past requisitions which the Horton Company formerly filed numerically. Reference was a time consuming job. Because of this, requests were occasionally approved on the "benefit of the doubt" theory.

To remedy this condition, the company decided to work out a record that would give, at a glance, all of the "extra service" furnished every store location in Greater New York. Locations are used because store ownership changes frequently. It was decided to make an individual card for each store location at the time the first "extra service" was furnished.

In co-operation with a manufacturer, a very simple card was designed which gives the store location, street and number, owner's name, the date, job number, item and cost of all "extra service." The cards are filed vertically in visible manner in cabinets which facilitate speedy handling and requires a minimum of space. Guess work is entirely eliminated now by a reference which requires only a few seconds. To say precisely how much the system will save the J. M. Horton Ice Cream Company is impossible. But it will prevent the company from ever mistakenly selling at a loss—a condition which often arises in this industry when control is not adequate. This is one of those values hard to exactly measure with a dollars and cents yardstick.

(Continued on page 52)



## "Changing Conversation into Conservation"



© Ewing Galloway

### The Flying Squadron and Economic Credit Council

**A** REFERENCE to page 29 of the October CREDIT MONTHLY will give you the full story of the organization and the purpose of the Flying Squadron and Economic Credit Council, which has been instituted to set in motion definite movements against credit waste and inefficiency. Every member of the Squadron and Council who brings a new member into the N. A. C. M. "wins his wings." The members of this Council, through their enlistment, show a breadth of vision in co-operating in this important work and evidence a fine spirit and heartfelt interest in relation to the work the Council is dedicated to perform.

There are to date approximately 1,000 members enrolled in the Squadron and Council. The names of those who enlisted since the last publication of the list are given below:

W. W. Baldwin, The Holtzer-Cabot Electric Company, Boston, Mass.  
J. Blekkink, Joerns Bros. Manufacturing Co., St. Paul, Minn.  
Harry C. Bock, Bankers Trust Company, New York City, N. Y.  
O. W. Bullen, Lever Brothers Company, Cambridge, Mass.  
L. B. Cohen, Beaumont Dry Goods & Notion Company, Beaumont, Texas.  
J. T. Dunnick, General Electric Supply Corp., Columbus, Ohio.  
H. J. Forsdick, Fairbanks, Morse & Company, New York City, N. Y.  
V. E. Graff, B. G. Ewing Paper Company, Spokane, Wash.  
W. J. McCarley, Jr., Perry-Mann Electric Co., Inc., Columbia, S. C.  
C. G. Manning, Des Moines Glove & Mfg. Company, Des Moines, Iowa.  
George H. Martin, Taylor Produce Company, Kalamazoo, Mich.  
Pat Mitchell, Motor Supply Company, Phoenix, Ariz.  
T. G. Murphey, The Sherwin-Williams Company, Cleveland, Ohio.  
Emery E. Olson, University of So. Calif., Los Angeles, Calif.  
N. A. Ostense, Vacuum Oil Company, Fargo, N. D.  
J. E. Ruffin, Malone & Hyde, Inc., Memphis, Tenn.  
F. W. Schettler, Malleable Iron Range Company, Beaver Dam, Wis.  
R. H. Schroeder, Clum Manufacturing Co., Milwaukee, Wis.  
W. H. Walker, General Electric Company, Boston, Mass.  
Chas. A. Wells, John S. Brittain Dry Goods Company, St. Joseph, Mo.

### WINGS THAT ARE WON

Members of the Flying Squadron and Economic Credit Council who have won their wings now total 175.

A. W. Macy, Indianapolis Glove Company, Indianapolis, Ind.  
George W. Van Vorst, Furniture Corporation of America, Ltd., Los Angeles, Calif.  
Donald S. Ball, The Bradstreet Company, Syracuse, N. Y.  
J. Don Stevens, E. S. Stevens Company, Beatrice, Nebr.  
Howard W. McKee, The Merchants Biscuit Company, Denver, Colo.  
F. R. Haswell, A. Schilling & Company, San Francisco, Calif.  
J. M. Crawford, National Bank of Commerce, Superior, Wis.  
William Schmidt, Morse & Rogers, Inc., New York City, N. Y.  
A. R. Wilson, The Auto Equipment Company, Denver, Colo.  
H. H. Baeke, Lincoln Drug Company, Lincoln, Nebr.  
B. Frank Dew, State-Planters Bank & Trust Co., Richmond, Va.  
Frank Strickler, Globe Forge & Foundries, Inc., Syracuse, N. Y.  
A. C. Hetherlin, H. C. Cohn & Company, Rochester, N. Y.  
Charles W. Clayton, F. P. May Hardware Co., Washington, D. C.  
J. L. Meyers, Michaels, Stern & Company, Rochester, N. Y.  
H. S. Johnston, Central Trust Company, Rochester, N. Y.  
G. C. Klippel, Van Camp Hardware & Iron Company, Indianapolis, Ind.  
Julian Gifford, Zenith-Detroit Corp., Detroit, Mich.  
J. W. Meriam, The Lincoln Electric Company, Cleveland, Ohio.  
I. Torgerson, Kellogg-Citizens National Bank, Green Bay, Wis.  
G. Harold Welch, New Haven Bank, N. B. A., New Haven, Conn.  
B. A. Leise, St. Louis Independent Packing Co., Pittsburgh, Pa.  
J. A. Langan, Mooney-Mueller-Ward Company, Indianapolis, Ind.

C. V. Keirstead, Gordon & Ferguson, Inc., St. Paul, Minn.  
H. E. Engstrom, G. Sommers & Company, St. Paul, Minn.  
L. S. Buckingham, Clinton Trust Company, New York City, N. Y.  
F. Elmer Havens, Hope Webbing Company, Providence, R. I.  
H. B. Harmon, Smith, Lichty & Hillman Company, Waterloo, Iowa.  
E. R. Smith, Jackson City Bank & Trust Company, Jackson, Mich.  
J. A. McBrien, Jordan-Stevens Company, Minneapolis, Minn.  
W. H. Dressler, Stock Yards National Bank of South Omaha, Omaha, Neb.  
F. S. Walden, Strevell-Paterson Hardware Co., Salt Lake City, Utah.  
J. W. Sprague, Janney-Semple Hill & Co., Minneapolis, Minn.  
C. A. Force, Manhattan Electrical Supply Co., Inc., St. Louis, Mo.  
Chas. H. Devlin, The Arcady Press, Portland, Oregon.  
E. N. Welsh, Indiana Limestone Company, Bedford, Indiana.  
Fred L. Andrews, The Davis Brothers Drug Co., Denver, Colo.  
J. M. Church, The Rath Packing Company, Waterloo, Iowa.  
Frank S. Hughes, Federal Reserve Bank of Boston, Boston, Mass.  
Charles Brian, Paper Makers Importing Co., Easton, Pa.  
Reginald G. Rye, First National Bank & Trust Co., Kalamazoo, Mich.  
W. R. Beardsley, Tilden Produce Company, St. Paul, Minn.  
G. A. L. Johnson, Klinkerfues Bros., St. Paul, Minn.  
T. E. Reynolds, Secretary, St. Paul Association of Credit Men, St. Paul, Minn.  
Russell H. Hackett, Vindicator Printing Co., Youngstown, Ohio.  
D. M. Wick, The Dollar Savings & Trust Co., Youngstown, Ohio.  
A. C. James, The Sharon Steel Hoop Co., Sharon, Pa.  
R. S. Freeman, Great Lakes Coal & Dock Co., St. Paul, Minn.  
W. H. Goodrich, Bradford & Co., Inc., St. Joseph, Mich.  
Chas. Huelsman, James Heddon's Sons, Dowagiac, Mich.  
Q. J. Papineau, Pet Milk Sales Corporation, St. Louis, Mo.  
G. M. Nichols, Salt Lake Hardware Co., Salt Lake City, Utah.



## One Month's Convictions

Fraud Prevention Department of the National Association of Credit Men

JANUARY, 1931

CASE	INDIVIDUAL	CHARGE	SENTENCE
Benjamin Krandell, 2019 86th St., Brooklyn, N. Y. (Dealer in Toys)	Krandell, Benjamin Ginsberg, Albert	Concealment of assets. Aiding and Abetting	2 yrs. probation. 1 yr. & 3 months.
Harry Katz, 54 East 11th St., New York City, N. Y. (Mfr. Men's Clothing)	Katz, Harry	Concealment of assets.	Suspended sentence. 2 yrs. probation.
B. Gordon Dress Co., 270 W. 38th St., New York City, N. Y. (Dresses)	Gordon, Annie B.	Issuance of a false financial statement.	Suspended sentence.
Samuel Lipkowitz, 465 Broadway, New York City. (Jobber, Cotton Goods)	Lipkowitz, Edward	Concealment of assets.	7 months in House of Detention.
Harmon-Leftwich Lumber Company, 420 Lexington Ave., New York City. (Building Materials)	Leftwich, Fred	Concealment of assets.	1 year & 1 day.
George H. Brown Co., 72 Kneeland St., Boston, Mass. (Children's dresses)	George H. Brown	Use of mails to defraud	Fined \$500, placed on probation for one year.
Lehigh Commodities Co., 234 No. 7th St., Allentown, Pa. (General merchandise)	Albert L. Bergman	Use of mails to defraud	One year and one day in Atlanta Penitentiary.
Isidore Antis, New Orleans, La. (Jewelry)	Isidore Antis Mrs. Katie Antis	Conspiracy to conceal assets. Conspiracy to conceal assets.	5 yrs. Probation. 5 yrs. Probation.
Carl Vincent, Loogootee, Indiana. (Groceries)	Carl Vincent	Concealment of assets.	1 yr. & 1 day Federal Penitentiary, Chillicothe, Ohio.
McGreevy Grocery Co., Huntington, Indiana. (Groceries)	Emmett McGreevy	Conspiracy to conceal assets.	(To be sentenced later.)
John L. McCollough, Edgerton, Ohio. (Farmer)	John L. McCollough Paul McCollough	Conspiracy, Perjury and Concealment of assets. Perjury and Conspiracy.	3 yrs. Atlanta Peni- tentiary. 2 yrs. Chillicothe Federal Peniten- tiary (Probation).
	Kenneth McCollough	Conspiracy.	18 months (Proba- tion).
	Robert McCollough	Conspiracy.	18 months (Proba- tion).
Keller & Gardiner, Cleveland, Ohio. (Auto accessories)	David D. Gardiner George A. Keller	Violation Postal Laws. Violation Postal Laws.	\$25.00 Fine. \$25.00 Fine.
Tucker Fixture & Supply Co., Cleveland, Ohio. (Stores, fixtures)	Isidore Tucker	Passing bad checks and obtaining money under false pretenses.	One to three years Ohio Penitentiary.
Wm. A. Aronis, tgd. as Gus Dontas United Tailors, Warren, Ohio.	Gus Dontas	Concealment of assets.	1 year and 1 day Federal Peniten- tiary.
Carl Czarlinsky, Raton, New Mex. (Ladies ready-to-wear)	Carl Czarlinsky	Use of the mails to defraud.	Not passed.

Total of 1078 Convictions from June 1, 1925, to January 31, 1931.

### addresses wanted

ADAMS, EARL, last address Orrville, Ohio.  
ALEXANDER, MILTON, formerly of Katz & Alexander, 260 W. 39th St., N. Y. C. Last known home address 32-58 82nd Street, Jackson Heights, L. I.  
BABB, HARRY L., Prop. Los Feliz Poultry Company, 2914 Los Feliz Street, Los Angeles, Calif.  
BENDER, M., formerly located at 180 Boyd St., Newark, N. J.  
BERRY, HENRY C., Merchants' Protective Ass'n., Mobile, Alabama.  
BLITZ, ALBERT D., A. & B. Heating Electric Co., No. 1439 Spring Rd., N. W., Washington, D. C. Believed to be in Georgia.  
BOWMAN'S FOREST PARK FASHION SHOP, formerly located at 7304 W. Madison St., Forest Park, Ill.  
BOYDSTON, THOS. H., formerly of Eldorado, Kansas.  
BRADY, J. B., Jr., formerly 5810 6th Avenue, Brooklyn, N. Y.  
BROWNING, E. R., formerly Galesville, Wis. Probably working in the garage trade.  
CAPLAN, I. A., Prop. Morgan Drug Co., 1001 W. 79th Street, Chicago.  
COHN, MARCUS, U. S. Standard Chemical Company,

118 Prince Street, New York City.  
COLOR CRAFT CHEMICAL CORP., formerly at 46 West 30th Street, New York City.  
CONTE, A., formerly 236 Flushing Ave., B'klyn, N. Y.  
DAVIS, W. EWART, Md., 203 West 136th Street, New York City. Believed to have entered the ministry and located in some small town in New Jersey.  
EMANUEL, J., formerly in the clothing business at 152 W. 42nd Street, New York City.  
ENGLISH BROS. (JOHN L.), formerly 11206 Liberty Avenue, Brooklyn, N. Y.  
FELDMAN, HARRY, operated a cigar stand and small haberdashery, 464 Auburn Avenue, Pontiac, Michigan.  
FOGERTY, THOS., formerly at 546 82nd Street, Brooklyn, N. Y.  
FREY, PHILLIP, t. a. Wyckoff Picture Frame Co., 156 Wyckoff Avenue, Brooklyn. Last known home address 234 Wyckoff Ave., Brooklyn.  
GINSBERG, JOSEPH, Prop. Bronze Artcraft Company, formerly located at 244 W. 23rd Street, New York City.  
GOLDBERG, HARRY, formerly in the tailoring business at 20th Street, Philadelphia.  
HAROLD, J. H., formerly 164 14th Street, Brooklyn, N. Y.

HARPER PHARMACY, formerly 8251 Melrose Avenue, Los Angeles, Calif.  
HIRSHBERG, G., formerly 2721 Jerome Avenue, Bronx, N. Y.  
JABER, JOE, formerly of Jerome, Arizona, was an Assyrian peddler. Supposed to have left the state of Arizona.  
JIANOTTO, Mr., formerly 3902 8th Avenue, Brooklyn, N. Y.  
KATZ, JACOB, formerly of Katz and Alexander, last known home address 34-25 89th St., Jackson Heights, L. I.  
KAY, BARNEY C. Traveling salesman formerly with the Stephen Green Company of Philadelphia. Later with the Stanley Mfg. Company, Dayton, Ohio.  
KRAMER, GEORGE, Proprietor Home Laboratories, formerly located at 194 Eleventh Avenue, New York City. Now believed to be somewhere in New Jersey.  
LAIL, E. C., Coney Isle, Route 1, Morganton, North Carolina.  
LAMERDIN, JOHN P., JACK LAMERDIN SERVICE STATION, located at Emmalee & Robertson Blvd., Los Angeles, Calif., during May, 1927. Last located at Victorville, Calif., Philan Route.  
LIPMAN, ALBERT, Atlas Roofing Co., formerly of Allentown, later Harrisburg, later 505 S. 6th Street, Philadelphia.  
MAYORS, ROBERT E. LEE., formerly conducted a paint contracting business under the style of MAYORS' PAINT COMPANY, New Orleans.  
MARINO, D. A., formerly at 344 Chestnut Street, Newark, N. J.  
MARSHALL, HERMAN, P. O. Box No. 25, Memphis, Tenn.  
McGUIRE, P. J., formerly 308 83rd Street, Brooklyn, N. Y.  
McKERNAN, JOHN, t. a. Royal Garage at 1815 Boone Avenue, New York City.  
MORROW, F. R., Slippery Rock, Penna.  
MURPHY, ROBERT P., formerly 45 Ashland Street, Boston, Mass.  
MUZZIO, ANDREY (Address unknown).  
RHINFELD, NAT, Prop. Premier Hotel & Restaurant Supply Company, formerly 129 West 21st St., N. Y. City.  
RICH, HIRAM, painter and decorator, formerly of 2266 Franklin Ave., Toledo, Ohio.  
ROSS, GARRETT, M., formerly at Ashland, Kentucky, operated under the name of GARRETT M. ROSS DEPARTMENT STORE.  
SAGMER, H., formerly 500 Fifth Avenue, Brooklyn, N. Y.  
SCHOONOVER, H., formerly resident buyer, 9 West Washington Street, Chicago, later located in the Transportation Bldg., Chicago.  
SILLER, L., Proprietor, Underselling Store, Greenville, N. C. Left there in December, now supposed to be in New York City.  
SMITH BROS., formerly 374 45th Street, Brooklyn, New York.  
SPIEGEL, A., Proprietor of Brooklyn Importing Company, 20 E. 12th Street, New York City.  
SULLIVAN, T. J., 266 W. McMicken Avenue, Cincinnati, Ohio.  
TODMACH, J., formerly 7th Ave. corner 118th Street, N. Y. City.  
TOOKER, WALTER P., formerly 53 Ocean Place, Brooklyn, N. Y.  
TRELLOUR, HARRY, Painter and paperhanger, formerly located at 1330 17th Street, Denver, Colo.  
VICTOR, P., formerly Victor Pharmacy, 1584 E. New York Avenue, Brooklyn, N. Y.  
WILLIAMS, BERT, formerly 2248 Washington Blvd., Chicago, later engaged in the paint and wallpaper business at Valparaiso, Ind., later reported to be in Calif.  
WILLISON, W. W., also known as Dablow Food Products Corp., 17 W. 20th Street, New York City.  
YOUNG, MARCUS, Richard Borgato & Company, 507 Fifth Avenue, New York City.

### filing away overhead

(Continued from page 50)

If I may be permitted a pun—dollars and cents result from dollars and sense in devising, revising and maintaining your records so that you always control them, instead of their controlling you. When records are a nuisance, something is wrong. When facts can't be found quickly, easily—as a matter of routine—something should be remedied. How, where, what and why—these are questions only to be answered by a specific diagnosis. Your basic problem will follow the lines of those outlined in this article. Your solution of them, if intelligently done, will return you direct or indirect dividends year after year.

CREDIT AND FINANCIAL MANAGEMENT

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## "papa, don't tell mama"

(Continued from page 27)

the purchase by his concern at below cost prices of \$404 worth of merchandise, also just prior to the bankruptcy. \$10,000 worth of merchandise was located at various railroad stations and the proceeds were recovered to the estate through the N. A. C. M. The creditors' claims amounted to approximately \$100,000 and it is alleged that the proceeds from sales of merchandise and from hypothecation amounted to \$50,000, all of which has been unaccounted for except by the letter from Eddie.

While these hearings were being held and the evidence gathered together Eddie was chasing over the country with N. A. C. M. Fraud Investigators at his heels. Unsuccessful search was made for him in Chicago, in co-operation with an Agent of the Bureau of Investigation of the Department of Justice. He was also trailed to Atlantic City and Nashville, Tennessee. It is known that at one time in his travels, he worked as a salesman in a furniture store in Pittsburgh. On Thursday, August 14, 1930, Sam the Strong Man died of heart disease at the age of 47. About a month later, on September 10, Eddie, the missing son, surrendered himself to the U. S. Attorney in New York. He pleaded not guilty to the indictment which had been made against him and his bail was fixed at \$5,000.

On January 26, 1931, the jury in the case acquitted two of the defendants and brought in a verdict of guilty against Eddie Lipkowitz. He was sentenced on February 2, 1931 by Judge Knox to serve seven months in the House of Detention in New York City. His original sentence was for 18 months in Atlanta, but on his plea that his mother and brother were both sick and needed his aid, his sentence was shortened. Judge Knox who presided at the trial said that in all his eighteen years' experience he had never seen a clearer case of fraud of the nature described in the indictment.

The U. S. Attorney who handled the matter is Emanuel Kleid. Investigator Louis M. Edelson pursued the investigation for the Fraud Prevention Department and received full co-operation from the Bureau of Investigation of the U. S. Department of Justice.

Probably Sam and Eddie Lipkowitz believed that they had evolved the "perfect fraud" just as master crooks like to believe they have evolved the "perfect, detective-proof" crime. But the investigations of the N. A. C. M. Fraud

Department were so careful, methodical and thorough that the decision in the case of Eddie and Sam Lipkowitz, dishonest business men, was written at the time of their first fraudulent shipment. The plot was good, but not good enough. When Eddie wrote, "Papa, be careful how you tell it to Mama," he didn't dream that the story would be broadcast to the business world as a warning that fraud doesn't pay.

## meet the customer half way

(Continued from page 29)

collection purposes. We sort out the original copies of statements intended for customers, and mail out all that are current. Any that show past due items are retained and used as a follow up memorandum in the collection department. Exceptional cases require exceptional treatment and we have other means for following up accounts where necessary.

When an account is placed for collection, we take it out of the current ledger and place it in the Suspense Ledger. The ledger card is stamped "Suspense" as well as the customer's index card. A folder is made up bearing the debtor's name and address and immediately all orders, charge sheets, and delivery receipts and correspondence are placed in it, and it is filed alphabetically in the attorney's file. A small 4" x 6" card is also made up on which is shown debtor's name, address, and amount of claim. There is a space provided for recording payments made, attorney's commission, suit fees, and advanced costs for suit. It is filed in a desk drawer for quick reference and is a big aid in answering correspondence and keeping track of the claim until it is disposed of. If the claim is paid, the card is removed and placed in the folder. If the claim is returned uncollectible, the card is removed and stamped "Lost Accounts." The customer's index card is stamped the same, as well as the ledger card, which is then transferred to the Lost Account file. There seems to be a lot of detail involved in these operations, but we find that it pays to stamp the customer's index card. In some cases what seems to be a new account has been found by reference to our customer's index file to be a Lost Account with a balance owing and we have in some cases been able to obtain payment on these "dead" accounts.

We place our collection business with the Collection Bureau of the Philadelphia Association of Credit Men, whom we consider very efficient in this work.

All kinds of time saving devices are used in our office, such as automatic bookkeeping machines, Ediphones, etc.

The Credit Department has a big responsibility in protecting the Accounts Receivable and keeping them liquid and also in doing its part in a constructive manner in building sales. We know of no better way to do this than the Sales and Credit Departments working shoulder to shoulder.

## automatic coverage

(Continued from page 31)

required, although on some products, a monthly report based on a daily average is necessary. This is true of peanuts in warehouses, dried fruits, sugar, cotton seed oil, grain, but with the general run of merchandise the daily average is not necessary.

The policy is written for a provisional amount, which is your estimated average liability for all locations for the year to come. The rate is applied to this amount. Then at the end of the year the twelve statements of values submitted are averaged, and the premium charge is based on the actual liability which has developed so that a return or additional premium results. During the life of the policy the assured is automatically protected up to the limits of liability granted in the policy, also for unknown locations in between reporting dates, has the benefit of pro rata cancellations, of simplified insurance, and the general advantage of wholesale business.

This is the modern way of insuring. The credit manager's interest is found not only in the lower cost of such insurance but in realizing that by such an insurance plan his security will not be impaired by lack of protection through carelessness or oversight.

## collection and sales survey

(Continued from page 34)

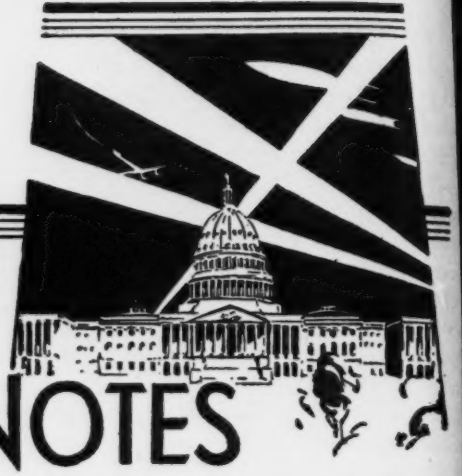
a slight increase in failures, and slow collections which tend to tighten credit. Sales in this section are down for first three months of this year and retail trade is also down 15 per cent.

NEBRASKA: Nebraska holds the same report of last month. The secretary at Omaha says the prices of agricultural products are holding up the free movement of these commodities and though business in general has not taken on the activity expected, the outlook for the future appears more promising. Agricultural conditions are in fine shape, particularly west of Omaha.





# COURT DECISIONS AND WASHINGTON NOTES



## CONTRACTOR'S BOND. LIENS. THIRD PARTY'S RIGHTS. (KANS.)

A contract was entered into between the owner of real estate and a contractor. At the same time a bond was executed by the contractor and the surety company. When construed together these instruments provided that the contractor shall furnish and pay for all labor and material used in the church by the contractor and that the surety company guaranteed the faithful performance of the contract. *Held*, that such a contract and bond gave a right of action against the surety company to the material men who furnished material to the contractor which went into the construction of the building. Further, under the facts stated in plaintiff's petition it was proper to permit an amendment to the lien statement theretofore filed by plaintiffs and when so amended it created a valid lien. *Cooke & ano. vs. Luscombe et al.* Kansas Supreme Ct. Decided January 10, 1931.

## NEGOTIABLE INSTRUMENTS. JUDGMENT CLAUSE. ATTORNEY'S FEES PLEDGE. (MD.)

A judgment by confession was entered in favor of a bank, the appellee, against appellants. The note upon which judgment was entered was collateral in form and stated that there was deposited with it as security eight mortgages, with the authority to sell any collateral without notice, and "should there be any deficiency I/we further promise to pay such deficiency, hereby consenting that judgment may be entered in favor of the holder hereof against me/us for the amount of any such deficiency, including all interest and costs and 10 per cent. attorney's fees for collection." The mortgages were partly paid, reducing the amount of the principal of the note. Appellants contend that the mortgage assigned to the appellee and held by it as collateral, constitute the primary obligation and that the right of the appellee to have a confessed judgment entered in its favor applied only to such deficiency as there may be after it has exhausted its remedies against the collaterals. *Held* that it has long been settled in this State that in the absence of an agreement to the contrary, the holder of a note is not obligated to collect on collateral before proceeding to judgment on the principal obligation. There being no question of the validity of the provision for the attorney's fees, the only other question is as to the form the entry should take, and that is, whether the amount stipulated should be included in the judgment or entered as costs. It is the better practice to enter the fees or commissions as a separate item and not to include the amount in the judgment for the principal obligation. The fees are payable by the defendant to the plaintiff by way of indemnity, to the extent stipulated, for the expense of employing an at-

torney to collect by suit at law the principal debt. Judgment for appellee affirmed. *Webster et al. vs. People's Loan, Savings and Deposit Bank, of Cambridge, Md.* Md. Ct. of Appeals. Decided January 8, 1931.

## RECLAMATION. CONSIGNED GOODS. (MICH.)

Petition to review an order of the Referee in bankruptcy denying a reclamation petition. This petition was filed by Martin Chain Stores, Inc., a Michigan corporation to recover from the trustee possession of a certain clothing delivered to the bankrupt. This clothing was so delivered in pursuance of a certain written contract between the petitioner and the bankrupt. The petitioner contends that this contract was one of consignment only and that this merchandise still belongs to it and that it is entitled to the return thereof. The trustee contends that the contract was one of conditional sale, and therefore was subject to provisions of a Michigan recording statute. The trustee also sets up estoppel. *Held* that the Michigan statute on which the trustee relies is Act No. 64 of the Michigan Public Acts of 1915. It is clear that this statute applied only to contracts of conditional sale and that it has no application to contracts of mere consignment for sale. The contract here involved is a consignment and not a conditional sale. It plainly specifies that the merchandise in question is "to be held by second party upon consignment." It follows that the Michigan statute has no application to the contract here involved. Nor is the filing of such contract required by any other statute. In the absence, as here, of any indication of actual fraud or bad faith of either of the parties towards creditors, there is no basis for the claim of estoppel urged by the trustee. Order of the referee set aside and an order entered granting to the petitioner the relief sought in its reclamation petition. *Matter of Taylor.* U. S. Dist. Ct. E. Dist. of Mich. So. Div. Decided January 6, 1931.

## PREFERENTIAL TRANSFERS. CONSIGNMENT CONTRACT. (N. Y.)

The Trustee in Bankruptcy brings this action in equity for a decree, and judgment declaring the payment and transfer of property to the defendant to be preferential, fraudulent and void. The bankrupts Snyder and Harris were partners conducting a retail clothing business. An agreement was made with American Clothing Co., reciting that the American Clothing Co. is a manufacturer of men's clothing, and that the party of the second part is desirous of obtaining men's clothing on consignment to be sold at retail. It provides that all the men's clothing belonging to the American Clothing Co. which the dealer is to sell at retail is to be sold at a reasonable profit above the list price of the manufacturer, and that

title to the men's clothing, while on the premises of the dealer, shall remain in the manufacturer until sold, and during that time the status of the second party is that of an agent only. It further provides that in the event of termination, the manufacturer may carry out all of the remaining merchandise delivered to the party of the second part on consignment under the terms of the agreement. Defendant removed from the premises of the bankrupts 56 suits, when other creditors of the bankrupts were present in the store. *Held* that this contract was entered into solely to provide an excuse for the removal of merchandise in the event that the bankrupts should come to financial difficulties and that it was not such an open and above board transaction as should be permitted to stand in the face of the rights of creditors who did not resort to such methods in their dealings with the bankrupts. Decree in favor of plaintiffs. *Yarm vs. Lieberman.* U. S. Dist. Ct. E. Dist. of N. Y. Decided January 8, 1931.

## FIXTURES. REAL ESTATE MORTGAGE. CONDITIONAL SALES. (PENNA.)

Petitioner sold the bankrupt certain machines under a conditional sales contract. These were used in a planing mill. Since the machines were so attached to the mill as to become a part thereof, in order to retain their character as personalty, the contract had to be recorded under P. L. 722, No. 395 section 3, which requires that before such contract can be filed it must contain a sufficient description of the realty affected. The contract did not give any description of the realty. There was a real estate mortgage on the mill. The referee in bankruptcy held that the machines came under the mortgage. *Held* that this was not error. Since the machines were attached to the realty, the contract must be recorded with a description of the realty affected. In Pennsylvania such improperly filed contracts are not binding on mortgagees. Affirmed. *Matter of Newport Planing Mill Co.* U. S. Dist. Ct. Middle Dist. of Penna. Decided January 1, 1931.

## BULK SALES ACT. MORTGAGE. (LA.)

The bankrupt needed money badly. One of its creditors loaned the money to it. A chattel mortgage of the store fixtures was made to a bank instead of the creditor, so as not to arouse suspicion among the other creditors. The money was used to pay creditors. The bank knew all the facts. The Louisiana Bulk Sales Law provided, amongst other things, that transfers in bulk and otherwise than in the ordinary course of trade of the transferor of the stock, fixtures, etc., shall be void as against creditors, unless made according to certain provisions of the statute. The act stated that transfers shall include mortgages, sales, pledges, etc. The provisions of the act were not followed in this case. The question was whether the mortgage was a

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transfer within the meaning of the statute. The referee in bankruptcy ruled that it was not and allowed the bank a lien. *Held* that this was error. Although a chattel mortgage is not a transfer in the usual sense of the term it is a transfer under this statute as stated by section five. Furthermore, since the statute declared the transaction void as against creditors there could be no subrogation of the bank to the rights of creditors paid from the mortgage loan. Reversed. *Matter of Handy Andy Stores of Louisiana, Inc.* U. S. Dist. Ct. W. Dist. of La. Decided February 16, 1931.

#### UNLAWFUL DEPOSIT. RECOVERY ON FAILURE OF BANK. (N. Y.)

One Potell filed his voluntary petition to be adjudicated a bankrupt and was duly adjudicated. Shortly thereafter, one Elkins was appointed receiver of the bankrupt's estate. Among the assets was a certain sum which the receiver deposited in the Bank of United States. Later, the bank having failed, the receiver made a demand for the repayment of this sum. This demand was refused. The first question is, has the court of bankruptcy jurisdiction to direct by summary motion, the return by the depository of an unauthorized deposit by a receiver in bankruptcy, of money of the bankrupt estate, deposited by him as such officer and received by the depository contrary to the law of the United States and the rules of the court? *Held* that this money, pending the presence of a qualified trustee, was in the custody of the court. Such funds in the temporary possession of a receiver in bankruptcy are held by him in trust as such custodian and the bank received it impressed with such trust. The court has jurisdiction to proceed by summary order under such conditions. The Superintendent of Banks contends that because of the failure of the Bank and his taking possession of all its assets, the court has lost jurisdiction to grant such summary relief. However, it does not seem to the court that a state law or his mere appointment and taking possession ousts the court of its exclusive jurisdiction and can prevent the court from deciding that the fund should be returned intact to the court. On the contrary he should present such finding to the Supreme Court of the State and request said court to direct its repayment by him in full. Motion granted. *Matter of Potell.* U. S. Dist. Ct. E. Dist. of N. Y. Decided January 30, 1931.

#### BANK INSOLVENCY. DEPOSITOR. RIGHTS. (IND.)

Plaintiff deposited a check to his checking account in the Huntingburg Bank. He indorsed it without restriction. The deposit slip stated that "all items are credited subject to final payment" and that the bank may charge back any item that was not paid. The check was credited to plaintiff's account, and then forwarded to correspondent bank who credited this check to the account of the Huntingburg Bank. Thereafter, the Huntingburg Bank went into receivership. Plaintiff sought to have his claim listed as a preferred one. The lower court found that the receiver correctly placed him among the general creditors. Plaintiff was refused a new trial and appealed. *Held* that there was no error. The title to the check upon deposit passed to the bank and it became a creditor. The conditions printed on the deposit slip amounted to nothing more than an agreement between the bank and depositor that if the check was no good, it would be charged back to the depositor. Since the check was paid to the correspondent and it credited the amount to the Huntingburg Bank before the latter went into receivership, the relation of debtor and creditor was in any event created before the bank's failure. Affirmed. *Olinger vs. Sanders.* Ind. Appellate Ct. Decided January 30, 1931.

#### DRAFTS. COLLECTION. GARNISHMENT. (OHIO).

The only question is whether or not the

First National Bank of Troy, Alabama, is the owner of the money collected by the First National Bank of Cincinnati. One Brown drew two drafts payable to the Troy bank. These drafts were sent to the Cincinnati bank for collection. The Cincinnati bank made the collection and while the money was in its possession, V. B. Kirkpatrick instituted attachment and garnishment proceedings against the funds in the possession of the bank, on a claim which he alleged he had against Brown. *Held* that the evidence discloses that Brown's account was credited with the amount of the deposit, and thereupon the relation of creditor and debtor arose between Brown and the Troy bank, and not that of principal and agent. The general doctrine that upon a deposit being made by a customer, in a bank, in the ordinary course of business, of money, or of drafts or checks received and credited as money, the title to the money or to the drafts or checks, is immediately vested in and becomes the property of the bank, is not open to question. The bank acquires title to the money, drafts, or checks, on an implied agreement to pay an equivalent consideration when called upon by the depositor. Judgment for the Troy bank affirmed. *Kirkpatrick vs. First National Bank of Troy.* Ct. of Appeals. Ohio. Decided June 16, 1930.

#### INSOLVENCY OF BANK. TRUST FUND. TRACING PRESUMPTION (IOWA).

The question is as to whether the claimant has properly identified and traced certain trust funds so that they may be recovered from the Superintendent of Banking. The claimant contends that such identification and tracing may be accomplished through a presumption that the trust funds are not only in the cash remaining in the Marengo Bank at the time it closed, but also in the bills receivable and certain accounts left in a correspondent bank on that occasion. Because there were rumors and general talk regarding a consolidation between American Savings Bank and another institution, claimant became concerned about the safety of the church fund and asked the depository bank's officials for a trust agreement. This was done and the bank later failed. *Held* that under the rule in Iowa, the trust property may be traced even though its identity has been lost. This is under the doctrine of presumption and augmentation. Unless the facts warrant it, application of the presumption rule will not be made to property other than cash in the bank when its doors were closed, and, without any express or other trust authorizing the trustee to convert the church funds into bills receivable or transfer them to a correspondent bank, the presumption is not available, except so far as the cash remaining in the insolvent bank, when it closed its doors, is concerned. Claimant contends that having demanded liquid assets, and the bank's letter agreeing to return the funds either in cash or the equivalent thereof, this authorized the bank to convert the church funds into bills receivable or transfer them to the correspondent bank. Manifestly this is a very doubtful construction. The use of the term "Cash or its equivalent" in the trust letter scarcely meant that the church funds were to be converted into bills receivable or anything else. Further, it is true that under the whole record the funds have not been traced to the correspondent bank. Even accepting claimant's version of the trust agreement to the effect that liquid assets were desired by the claimant, yet there is nothing to indicate that the trust funds were to be transferred to the correspondent bank, where they would be constantly drawn upon for the trustee's personal obligations. The judgment and decree of the district court was erroneous to the extent that it allowed claimant to take any property in the receiver's hands other than the amount of cash remaining in the bank when it closed. *American Savings Bank of Marengo et al. vs. Andrew.* Supreme Ct. Iowa. Decided June 23, 1930.

#### TRADE ACCEPTANCE. NEGOTIABILITY. ESTOPPEL. (IOWA).

Suit by the endorsee of a trade acceptance. The defense claimed that the trade acceptance was non-negotiable. *Held* that the first question is whether or not the trade acceptance is a negotiable instrument. If it is, then the trial court erred in sustaining appellee's motion for a directed verdict. The first clause is as follows: "The obligation of the acceptor hereof arises out of the purchase of goods from the drawer." This clause is one which is frequently inserted in trade acceptances. Under the uniform negotiable instruments act such a clause does not render the instrument non-negotiable. Does the clause "maturity being in conformity with the original terms of the purchase" render the instrument non-negotiable? The clause in question specifically makes direct reference to the underlying contract between the parties in respect to the maturity of said instrument, and is in effect a limitation upon the express due date recited in the former part of the instrument. This renders the trade acceptance non-negotiable. *First National Bank of Statesville, N. C. vs. Power Equipment Co. Iowa Supreme Ct.* Decided November 18, 1930.

#### PAYMENT OF CHECK. INSOLVENCY BANK. (MO.)

Action for debt for goods sold and delivered. Defense of payment. The Defendant sent Plaintiff a check by mail. Plaintiff deposited it in the State Bank of Rock Island, and received credit therefor. The Bank of Rock Island promptly mailed this check direct to the Bank of Canalou on which it was drawn for payment and remittance. The Bank of Canalou received the check and on the same day marked the check paid and charged it to the account of the defendant. The Bank of Canalou closed its doors without having made any remittance upon this check. *Held* that when the Bank of Canalou received this check for collection and remittance, and accepted it for that purpose, it became the agent of the holder. And when it stamped the check paid and charged the account of the drawer, with the amount thereof, it appropriated from its own funds the amount required to pay the check—collected it. Regardless of whether it ever made remittance the check was paid. *State ex rel. Percy vs. Cox et al.* Supreme Ct. Mo. Decided July 9, 1930.

## WASHINGTON NOTES

### Who Are Bankrupts?

Approximately 78 per cent. of the bankruptcies in the United States each year are persons engaged in other than mercantile pursuits, according to a recent statement by an official of the Department of Justice. A tabulation for 1930 by classes reveals that 50 per cent. of bankruptcies were laborers, 8 per cent. farmers, and 20 per cent. professional men, while commercial establishments accounted for the remaining 22 per cent.

### Retail Store Modernization

Wholesalers who are interested in making their customers better retailers will welcome the publication, "Small Store Arrangement", which was recently issued by the Chamber of Commerce of the United States. It is profusely illustrated with pictures of store interiors, diagrams of arrangements of different types of stores, and illustrations of types of equipment adapted to modern display. The advantages to be gained, results attained by other merchants and the cost of modernization are among the subjects discussed. Separate consideration is given to the problems of arrangement in grocery, dry-goods, hardware and drug stores. This publication is available from the Chamber of Commerce at a nominal charge.

MR. RIPLEY, WE APOLOGIZE, but—  
 "Believe it or not"



we received enough letters about one issue of CREDIT and FINANCIAL MANAGEMENT to make a pile of letters two and a quarter inches high. And "believe it or not" this stack of letters isn't padded a single bit—every letter is bona fide.

Now we want another pile of letters this high from our March issue. Or higher. We want you to send in the names of your customers that you think would be benefitted by reading CREDIT and FINANCIAL MANAGEMENT. Help make them better credit risks. Why not send in the names of some of your fellow executives who do not get the magazine? We'll do the rest. Help yourself, your customers and your friends—and help us. Send in the names at once to CREDIT and FINANCIAL MANAGEMENT, ONE PARK AVENUE, NEW YORK.

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